2015

To Our Business Partners

Here is our annual report for 2015, our 30th as a public company. Each and every year we provide you with an update on our recent financial results as well as our plans for the future. We're pleased to report another year of progress in building your company. As we said in the very first report, "we focus on customer needs and solving customer problems." That remains the case today. We just do it for many more people, in many more locations, with many more products and services.

In this report we will update you on our 2015 financial results and then tackle two questions facing us for 2016 and beyond, namely, "What is changing at Markel, and what remains the same?"

At Markel, as well as throughout all businesses, the pace of change continues to accelerate. As such, we continue to refocus our initiatives and actions to adapt and evolve appropriately to the changing business environment. With our longstanding commitment to continuous learning, we embrace the new tools of technology and analytic disciplines, to refine and improve our decisions. We are increasing speed and ease of use for our customers, and we are lowering the expense associated with doing so.

We also continue to enjoy a profound advantage in that we have one feature which remains the same despite the changing business landscape, namely our culture. Prior to Markel's public offering in 1986, we wrote the words of the "Markel Style" in an attempt to define and explain our culture. You will find the Style on the inside cover of this report, and on many plaques, documents, mementos, and items around the many locations where we operate. More importantly, you will find the spirit of the Markel Style embedded within the people of this organization.

Financial Highlights

(in millions, except per share data)	**2015**	2014	2013	2012	2011	2010	2009	2008	2007
Total operating revenues	$ **5,370**	5,134	4,323	3,000	2,630	2,225	2,069	1,977	2,551
Gross written premiums	$ **4,633**	4,806	3,920	2,514	2,291	1,982	1,906	2,213	2,359
Combined ratio	**89**%	95%	97%	97%	102%	97%	95%	99%	88%
Investment portfolio	$ **18,181**	18,638	17,612	9,333	8,728	8,224	7,849	6,893	7,775
Portfolio per share	**$1,302.48**	1,334.89	1,259.26	969.23	907.20	846.24	799.34	702.34	780.84
Net income (loss) to shareholders	$ **583**	321	281	253	142	267	202	(59)	406
Comprehensive income (loss) to shareholders	$ **233**	936	459	504	252	431	591	(403)	337
Shareholders' equity	$ **7,834**	7,595	6,674	3,889	3,388	3,172	2,774	2,181	2,641
Book value per share	$ **561.23**	543.96	477.16	403.85	352.10	326.36	282.55	222.20	265.26
5-Year CAGR in book value per share [1]	**11**%	14%	17%	9%	9%	13%	11%	10%	18%

[1] CAGR — compound annual growth rate

We believe our culture as described in the Markel Style is timeless. Among other items, the Markel Style speaks of, "a commitment to success, hard work, a zealous pursuit of excellence, honesty, a sense of humor, quality" and other eternally valuable attributes. We believe that the principles described in the Markel Style will continue to reliably guide our decisions in 2016 and beyond just as they have in the past.

As always, all of the financial results and every single initiative that we discuss in this letter come from the skills, dedication, and hard work of the people of Markel. We thank our colleagues for their efforts, and we look forward to increased mutual success in 2016 and beyond. Thank you.

2015 Financial Results

To start, here are the headlines for 2015. We produced total revenues of $5.4 billion and comprehensive income of $232.7 million. The 5 Year Compound Annual Growth in Book Value per share was 11%.

In our insurance operations, gross written premiums declined to $4.6 billion in 2015 from $4.8 billion in 2014. While overall volumes declined, we earned record underwriting profits of $429.7 million in 2015 compared to $177.6 million in 2014 with a combined ratio for 2015 of 89% compared to 95% for 2014.

In our investment operations, we earned net investment income from interest and dividends of $353.2 million during 2015 compared to $363.2 million during 2014. We realized gains of $106.5 million in 2015 compared to $46.0 million in 2014. The change in unrealized gains in 2015 was ($457.6) million compared to $981.0 million in 2014. In total, investments produced a negative total return of (0.7%) compared to 7.4% a year ago.

In our Markel Ventures operations, revenues totaled $1.0 billion for 2015 compared to $838.1 million for 2014 and EBITDA for the year totaled $91.3 million compared to $81.3 million the year before.

We will expand our discussion of each of these factors through the course of the report.

2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	**20-Year CAGR[1]**
$ 2,576	2,200	2,262	2,092	1,770	1,397	1,094	524	426	419	367	344	**15%**
$ 2,536	2,401	2,518	2,572	2,218	1,774	1,132	595	437	423	414	402	**13%**
87%	101%	96%	99%	103%	124%	114%	101%	98%	99%	100%	99%	**—**
$ 7,524	6,588	6,317	5,350	4,314	3,591	3,136	1,625	1,483	1,410	1,142	927	**16%**
$752.80	672.34	641.49	543.31	438.79	365.70	427.79	290.69	268.49	257.51	209.20	170.95	**11%**
$ 393	148	165	123	75	(126)	(28)	41	57	50	47	34	**15%**
$ 551	64	273	222	73	(77)	82	(40)	68	92	56	75	**6%**
$ 2,296	1,705	1,657	1,382	1,159	1,085	752	383	425	357	268	213	**20%**
$229.78	174.04	168.22	140.38	117.89	110.50	102.63	68.59	77.02	65.18	49.16	39.37	**14%**
16%	11%	20%	13%	13%	18%	21%	22%	23%	26%	26%	31%	**—**

As always, we include a 21 year recap of the financial results for your company in the table that accompanies this letter. Over time, this table illustrates a wonderful record of financial progress. As you examine the chart year by year, you can see that this record of multi-decade progress did not happen in a straight line. Some years were better than others. 2015, like many other years, contained both solid accomplishments and real challenges. We are familiar with that outcome and we remain optimistic about our ability to build on this wonderful long-term record.

2015 Insurance Operations

In 2015 we wrote $4.6 billion compared to $4.8 billion in 2014. As we've reported in previous years, the insurance market remains marked by intense competition. Despite that, we posted a combined ratio of 89%, our best underwriting ratio performance since 2007. Each and every division within our insurance operations produced an underwriting profit.

Our profitability this year benefitted from our longstanding practice of disciplined underwriting. We also enjoyed the good fortune of no major catastrophes.

In our U.S. Insurance segment we produced gross written premiums of $2.5 billion in both 2014 and 2015. However our combined ratio was an 89% this year compared to a 95% last year. This improved profitability is an outgrowth of our ongoing intense effort on the fundamentals of managing the disciplines of underwriting, marketing, claims and administration. Despite competitive overall conditions in the marketplace, all three divisions included in the U.S. Insurance segment contributed to this improved performance.

In our Markel Specialty division, led by Matt Parker, we wrote record premium volume and produced a better combined ratio than in 2014. During the year we unified the leadership across all departments within our specialty operations. The divison's record premium volume and improved profitability reflect our multi-year efforts to increase the consistency of our underwriting, marketing, and operational efforts.

Our Markel Wholesale division, led by Bryan Sanders, also performed admirably in challenging market circumstances. Excess and surplus offerings tend to experience the greatest changes in overall volumes as they respond to different insurance market environments.

As always, we focus on people, products, technology, and relationships. We work diligently through each of these dimensions to serve our key producers and clients. We continue to increase the ease and speed of quoting, binding, and transacting with Markel, and we expect to do so again in 2016 and beyond. We also continued to improve our internal efficiencies as marked by improvements in our expense ratio.

In our International Insurance segment, premium volume decreased slightly year over year due to competitive market conditions, however, as a result of our disciplined underwriting approach, we produced an 86% combined ratio in 2015 compared to a 93% in 2014 with improved results from both the Markel International division and the Global Insurance division.

Other 2015 accomplishments from our Markel International division, led by William Stovin, include successful efforts to meet the new Solvency II regulatory requirements. This is a major accomplishment. Markel was among the first UK companies to gain this approval and it speaks to our internal control processes and respectful relationships with our regulators.

The Markel International division also continued to methodically develop opportunities in new locations. For example, we opened an office in Dubai during 2015. We also continue to see opportunities everywhere around the globe and we now have offices in Asia, Canada, Europe, North and South America, and Bermuda. Additionally, the Abbey Protection legal and professional services operation of Markel International that we acquired in 2014 continues to meet our expectations.

Our Global Insurance division, led by Britt Glisson, also faces highly competitive market conditions. Despite those headwinds, Britt and his team productively refined and focused their operation during the year. These efforts, along with the combination of lower catastrophe losses, exiting some previously unprofitable lines, and favorable development of prior year reserves, drove a big swing in the profitability.

The Reinsurance segment produced $965.4 million of gross premium volume in 2015 compared to $1.1 billion in 2014 and delivered a 90% combined ratio this year compared to a 96% combined ratio last year.

Our Global Reinsurance division, led by Jed Rhoads, continues to confront one of the most competitive aspects of the insurance marketplace. However, we maintained our unwavering discipline of underwriting profitability regardless of market conditions. We enjoy longstanding relationships with our reinsurance customers and they value our consistency and dependability.

Finally, we undertook a comprehensive review and consolidation of our claims operations in 2015. Under the leadership of Nick Conca, Hannah Purves, Mike Clancy and Alex Sardinia, we began to consolidate our claims processes to improve efficiencies in our claims handling for the benefit of our customers while reducing costs.

This effort marks a continuation of several multi-year initiatives that began in our underwriting divisions. Over the years, Markel acquired several insurance companies with distinct underwriting, marketing, sales, IT, and claims systems. Beginning with the One Markel initiative that was started in 2009 and continuing with the Alterra acquisition, we continue to unify these functions across the entirety of Markel.

In 2015, we increased the focus on the claims aspect of this effort and we are pleased with the outcome so far to streamline and improve upon our claims processes. The goal from this initiative, as is the case with every other effort at Markel, is to serve our customers in better and more efficient ways.

2015 Investment Operations

Overall investment market conditions remained dominated by low levels of interest rates and low overall returns worldwide during 2015. Markel's overall investment portfolio produced a positive return of 0.5% in local currency terms with equities down 2.5% and fixed income up 1.6%. Weakness in foreign currencies versus the U.S. dollar reduced returns by (1.2%) to produce a net return of (0.7%).

In the face of these conditions we made several key decisions during the year.

First, we maintained our focus on the quality and strength of our balance sheet. Do not expect this to change. In 2015 that meant that we gradually built liquidity during the year with higher cash balances, the highest credit quality fixed income portfolio that we can assemble, and slightly lower holdings of equity securities as a percentage of total capital. We did all this, and at the same time worked to more closely match both the duration and currency profiles of our fixed income holdings to our insurance liabilities. We also worked to maximize the returns from our holdings by minimizing the costs of trading, taxes and management. This has been and continues to be a longstanding and unwavering effort.

Over many years we've discussed our process of selecting equity investments. To review, we follow a four part process of seeking profitable businesses with good returns on capital at modest leverage, with honest and talented managers, with reinvestment opportunities and capital discipline, at fair prices. Long-term readers of this report will recognize that this has been the case for decades.

As we followed this bottom up approach during the year we sold several longstanding holdings. We became concerned that the changing landscape of competitive conditions diminished our expectation for fundamental levels of profitability. As we elected to exit these holdings, we reinvested the proceeds at a slower rate. The combination of these factors increased our liquidity and conservatism of our balance sheet in 2015.

We continue to engage in our search for equity securities which meet our four part test and we fully expect to increase the percentage of equities in our portfolio in the future. We will remain patient as we search for specific opportunities to do so.

Fortunately, we've got good news to report on our fixed income portfolio. For many years, we've consistently taken every opportunity to invest in the highest quality government and municipal securities that we could find. We allowed our historical portfolio of corporate bonds to mature over time, and we also let the credit exposures we inherited through acquisitions diminish through normal maturities. These decisions to increase the credit quality of the portfolio served us well in 2015.

For the last several years we also operated with a shorter overall duration of the fixed income portfolio compared to the duration of our insurance liabilities. We did this to protect our balance sheet against the risk of higher interest rates.

Going forward, we will continue to maintain and build upon our high credit quality profile. During 2015 we also started the process of getting back to a more normal matching of duration between our insurance liabilities and our fixed income portfolio. We expect to maintain a more closely matched position going forward.

2015 Markel Ventures Operations

In 2015, we posted revenues of $1.0 billion compared to $838.1 million in the previous year. EBITDA totaled $91.3 million in 2015 compared to $81.3 million in 2014. As was the case in 2014, the reported EBITDA included several items which we believe would be useful to highlight in order to increase understanding.

Specifically, in 2014 EBITDA from Markel Ventures totaled $81.3 million after a write-off of goodwill of $13.7 million. As we've written in the past, each acquisition within Markel Ventures stands as a separate reporting unit and we evaluate goodwill for each unit rather than in aggregate. Unfortunately, we did not experience the improvement we expected in 2015 in our Diamond Healthcare unit and we wrote off the remaining goodwill from that acquisition of $14.9 million. Make no mistake; this has been a challenging acquisition and we've now fully written off all associated goodwill.

At the same time, we've enjoyed wonderful and better than expected results from our acquisition of Cottrell. As is often the case, that acquisition included an earn-out provision calculated over a multi-year period. Under current accounting treatments, that earn-out in excess of our original expectations was treated as a period expense for the 2015 income statement as opposed to being included in the capital accounts of the balance sheet. The earn-out increase caused by the better than expected results at Cottrell totaled $31.2 million.

Ironically, the bad news at Diamond and the good news at Cottrell both got reported in the same way, as deductions from EBITDA in 2015. Those items which totaled $46.1 million will not repeat themselves in 2016 and beyond. The goodwill balance at Diamond now stands at zero, and the earn-out period at Cottrell is complete.

In aggregate, we are pleased with the overall progress and economics from our Markel Ventures holdings. We've enjoyed several years of profitable results from the majority of the Ventures companies. We've also learned some painful lessons along the way that should help us with future capital allocation and management decisions.

Finally, at year-end, we announced the acquisition of a majority interest in CapTech, a management consulting firm based in Richmond, Virginia that helps to bridge the gap between business and technology. We've known Sandy Williamson and Slaughter Fitz-Hugh, the founders of CapTech, for many years, as well as many of the associates of the firm and the quality of their work.

For the last two years, overall market conditions made it tough for us to continue to expand our operations through acquisitions. Fortunately, in the case of CapTech, the founders knew us well, and valued our culture. They knew we valued in words and deeds the efforts of creative individuals working hard to solve problems for their clients and building a good business while doing so. As such, we mutually agreed upon a majority investment by Markel. These negotiations took place principal to principal.

CapTech assists a roster of successful businesses with selecting and implementing the never ending flow of new technological systems and processes. In addition to providing a permanent platform for CapTech to continue to serve their clients and to keep growing, we think it will be valuable to other operations at Markel to add this knowledge base to our existing efforts in this area.

In aggregate, we produced very good results at Markel Ventures. We enjoyed record results from our cyclical transportation related businesses. Our less cyclical industrial and housing businesses performed as expected.

Question #1- What is changing at Markel?

As we stated in the opening paragraphs of this letter, the world is changing fast and we are too.

Internally, every change we make is done with the goal of serving our customers better, faster and cheaper. We will do so by continuing to implement and refine our business processes with the latest tools from the disciplines of analytics, technology, communications, and business process systems. At the same time we will retain and build upon the enduring cultural values which bind us together as a team.

Internally, we continue to build upon and improve our successful data warehouse project led by Brad Kiscaden and Mike Scyphers. The data warehouse provides our underwriters, actuaries, and financial professionals, with insights and tools, to improve our day-to-day decisions. During 2015, we also hired Reid Colson to lead our analytics department. We fully embrace the tools of big data and we are using them to increase the speed, granularity, and effectiveness, of daily decision making throughout Markel.

This effort to increase our operational efficiency applies to each and every product, in each and every location, with each and every customer. We are increasing our ability to quickly serve our customers and respond to changing business conditions.

We expect this effort to continue to expand in 2016 and beyond. This is an unending task as the tools and techniques of big data continue to increase in affordability and utility. Simply put, information is king. Every transaction and data point continues to become more robust and informative about what the ultimate risk and outcome will be. We will continue to increase the pace at which we are utilizing these new tools in order to make better, faster, and cheaper decisions.

Another internal development regards the ongoing growth and development of our people. As one example, over the last decade we've periodically conducted an associate engagement process. We use a third party to provide an anonymous feedback mechanism to gain a sense of the issues facing our colleagues and allow them to freely express positive and negative views. Fortunately, we learned that our people profess deep loyalty to Markel and truly value and live our culture on a day-to-day basis. We also learned that they wished for increased training opportunities. We've responded by increasing training options with a greater emphasis on the acquisition of specific skills and techniques as opposed to credentials. This effort will continue.

We continue to grow at Markel. That means our people get to face new and bigger responsibilities. While the names and faces of many of our associates may remain unchanged, they continue to learn and grow and meet newer and bigger challenges. This remains an exciting feature which helps us to attract and retain talented associates.

Externally, we acquired the assets of CATCo during 2015. CATCo, led by Tony Belisle, was an innovator in the creation of Insurance Linked Securities. These securities mark another development in the shifting nature of how capital can be applied to insurance risks. Traditionally, reinsurance was provided by companies with pools of capital that backed general pools of insurance risks. While that model still remains and likely will continue to do so, it is being augmented by techniques and systems that attempt to closely align specific capital and specific risks.

CATCo does exactly that by arranging and managing reinsurance protection for specifically defined risks as well as sourcing and managing capital that is dedicated to this aspect of the reinsurance market. CATCo has already been successful in accomplishing this task. As part of Markel, Markel CATCo will be able to market their products and services in the U.S. as compared to their previous focus on non-U.S. markets. Additionally, with CATCo as part of Markel, we expect to see more global reinsurance opportunities which we can elect to participate in and deploy available capital.

Question #2- What remains the same?

Thirty years ago in the first annual report we described Markel as a company with a strategy of specialization and diversification that would apply proven successful principles to grow over time at an ambitious rate. We also reported good results in several divisions of Markel at the time, and one area with disappointing performance.

That same language applies in 2015.

As we said at the beginning of this report, in 2015 we enjoyed excellent profitability in our insurance operations as well as meaningful growth and profitability in our Markel Ventures companies. In our investment operations our returns were below our historical levels and reflected the challenging environment of low interest rates, low overall investment returns, and rapid technological change.

This circumstance is nothing new. Insurance and investment markets cycle back and forth between strong and weak overall results, and technology is always changing. Our record has been built over decades of this reality.

One way in which we've successfully maneuvered through these cycles and technological change is that from the very beginning Markel operated with a strategy of specialization and diversification. Specialization creates the opportunity to develop deep expertise about specific areas. This increases the ability to effectively serve our customers year after year and to build and maintain deep and long lasting relationships.

Diversification serves a dual purpose of allowing us to continue to adapt and grow as different markets change over time and to protect our financial position from the vagaries of any one product or area.

2015 demonstrates the unchanging value of that systematic design as we both enjoyed meaningful profitability from our insurance and Markel Ventures operations while investment returns experienced challenges. At the same time, we pursued internal growth and development across our existing operations and we executed the acquisitions of CATCo and CapTech.

The fundamental business architecture of Markel remains the same. It is a proven and tested model with durability and resilience.

Continuous Learning

As it says in the Markel Style we've been "striving for a better way" even before we went public in 1986 and we continue to do so today. Continuous learning is how we do this.

Technology and digitalization changes the tools used in this task, not the task itself.

There is no more important idea than that of continuous learning. The tools and methods to conduct business continue to change. As such, we need to rapidly learn and adapt. We need to use the new tools in the realm of analytics, communication, technology, and learning.

We are dedicated to this task throughout this organization and will act to continuously learn and refresh and renew our techniques and disciplines.

While the rate of change issue seems relentless and instantaneous there is one seemingly contradictory factor at work in the middle of this change, namely, the value of a long-term time horizon.

Making decisions tends to be easier and more effective with a long-term time horizon. We frame our choices in the context of seeking the best decisions for the long-term interest of the Markel Corporation. With this frame of mind, we are not trying to artificially make a decision that might appear better for a short time but carry long-term disadvantages. We try our best to measure decisions over appropriate long-term horizons that promote accountability and responsibility, but at the same time recognize that good decisions often take time to achieve the desired effects.

Our incentive compensation systems, most of which measure results over multiple years, work to reinforce and align the priority of long-term economic rationality.

Another factor which hasn't changed at Markel is our team orientation. As we said in the Markel Style, "we are willing to put aside individual concerns in the spirit of teamwork to achieve success." This remains a cultural hallmark of Markel.

In each and every aspect of Markel's insurance, investment, and ventures operations we faced competitive market conditions in 2015. We expect that will remain the case in 2016 and beyond. From a macroeconomic standpoint the ongoing era of very low interest rates has manifested itself in a business environment of low rates of return on capital throughout almost all industries and sectors.

The good news is that in this environment, superior talent and skilled execution will continue to produce the best results possible. That remains true regardless of the overall level of interest rates and investment returns. We are well served at Markel by our focus on the skills, dedication, and ongoing learning commitment of everyone in this organization.

Diversification and specialization also remain constant features at Markel. The good news about diversification is that it allows us to expand and contract certain lines of business depending on the level of opportunity. This is true in various lines and areas of insurance as well as in the investment portfolio, and for the Markel Ventures operations. We have an array of businesses in this company that produce capital and we can reinvest that capital opportunistically across a diverse set of opportunities.

Specialization is important in that it tends to provide both the basis of expertise and the ability to add value and serve our customers. We have a set of deep subject matter experts across many aspects of business. Sometimes they are underwriters, claims professionals, or other insurance professionals who bring true value-added knowledge to their clients. Sometimes, our diverse experts reside within the companies we hold in our investment portfolio. Sometimes, our experts reside inside our distinct and different Markel Ventures set of companies. The great news is that within our many specialized business operations we enjoy a roster of some of the world's best experts. As is always the case, the best experts have the most chance of profitably serving our customers and creating returns for us as Markel shareholders.

Finally, we continue to search for new business opportunities, and new people, in our insurance, investment, and ventures operations. We've acquired new companies over the years, opened new offices and expanded into new locations all around the world.

Talented people join and stay with Markel due to both our culture and opportunities to keep learning and growing.

We embrace the new world of faster paced analytics and decisions and the task of increasing our skills to adapt to and shape the future. We also take comfort in the knowledge that talented people with all of the necessary skills will flourish within an enduring culture which celebrates and rewards their efforts in a consistent and meaningful way.

We look forward to reporting our progress to you next year and we thank you for your commitment to the longstanding success of Markel.

Alan I. Kirshner

Alan I. Kirshner, *Executive Chairman*

Anthony F. Markel

Anthony F. Markel, *Vice Chairman*

Steven A. Markel, *Vice Chairman*

Thomas S. Gayner, *Co-Chief Executive Officer*

Richard R. Whitt

Richard R. Whitt, III, *Co-Chief Executive Officer*

F. Michael Crowley, *President*