2021

To Our Business Partners,

Greetings

Several years ago, we laid out our aspirational goal to "Build one of the world's great companies." We defined that as a company driven by the idea and architecture of Win-Win-Win. We believe that if a company aspires to be great, the customers need to win, the employees need to win, and the shareholders need to win.

Customers win when we serve them. We provide something they want or need, and we do it in such a way that they end up better off because they did business with us.

Employees win because they can provide for their families and their communities. Our people win because they can continuously learn, be creative, and reach their full personal potential over time.

Shareholders win because when our customers and our employees win, the capital our shareholders provided us with to operate the business earns a fair and durable return.

We believe that this Win-Win-Win structure is the ultimate in sustainable business. We think it goes without saying that this ethos, which underlies and pervades Markel, sets an excellent standard when viewed in the context of the current popular focus on ESG (Environmental, Social, and Governance) principles that should guide any business.

It seems to us that ESG phrasing is a set of new words for old things.

Good environmental, social, and governance *principles* have, and always will, describe Markel well.

We are not perfect, and we never will be. Principles are qualitative. They are the intangible but powerful ideas and beliefs that drive actions and behaviors. They can never be precisely measured or metricized. Things like love, kindness, concern, and empathy for fellow human beings, are the most important things in the world but we don't believe there is a score for them. You either have these principles at the core of your existence or you do not.

We live and act them out every day. Exactly how they are lived and what specific actions take place may change over time as our knowledge and understanding increases. The principles though are unchanging and simply cannot be measured with precision. As always, we will continue to do our best to act in accord with our principles.

Financial Highlights

(in millions, except per share data)	**2021**	2020	2019	2018	2017	2016	2015	2014	2013
Total operating revenues	**$12,846**	9,735	9,526	6,841	6,062	5,612	5,370	5,134	4,323
Gross written premiums	**$11,439**	9,267	8,780	7,864	5,507	4,797	4,633	4,806	3,920
Combined ratio	**90 %**	98 %	94 %	98 %	105 %	92 %	89 %	95 %	97 %
Invested assets	**$28,292**	24,927	22,258	19,238	20,570	19,059	18,181	18,638	17,612
Invested assets per common share	**$2,075.42**	1,808.50	1,613.62	1,385.24	1,479.45	1,365.72	1,302.48	1,334.89	1,259.26
Net income (loss) to common shareholders	**$ 2,389**	798	1,790	(128)	395	456	583	321	281
Comprehensive income (loss) to shareholders	**$ 2,078**	1,192	2,094	(376)	1,175	667	233	936	459
Shareholders' equity	**$14,695**	12,800	11,071	9,081	9,504	8,461	7,834	7,595	6,674
Book value per common share	**$1,034.56**	885.72	802.59	653.85	683.55	606.30	561.23	543.96	477.16
5-Year CAGR in book value per common share (1)	**11 %**	10 %	8 %	7 %	11 %	11 %	11 %	14 %	17 %
Closing stock price per share	**$1,234.00**	1,033.30	1,143.17	1,038.05	1,139.13	904.50	883.35	682.84	580.35
5-Year CAGR in closing stock price per share (1)	**6 %**	3 %	11 %	12 %	21 %	17 %	18 %	15 %	14 %

(1) CAGR - compound annual growth rate

We cannot imagine operating our business in any other way.

We've believed in these timeless and valuable principles since the founding of this company in 1930 and we always will.

2021

In this year's report we will do our best to update you on what took place in 2021. We'll review the annual numbers since this is an annual financial report. But we'll also go beyond one-year time frames by providing you with five-year time buckets to get a longer term (and more meaningful) perspective. Finally, as we do each and every year, we'll provide you with a 21-year chart of data at the bottom of these pages that shows the results of our efforts over decades.

While numbers show quantifiable financial data, we also hope to share a sense of the qualitative side and the humanity of Markel. The story contains the secret as to how those lovely numbers came to be.

We hope to give you insight into how we think and act. More importantly, we hope that by the time you finish reading this report you'll share our optimism about the future. Our narrative describes a durable and sustainable approach. We are incredibly optimistic about our ability to continue on this path of building one of the world's great companies. Thank you for being a part of this great adventure.

"Building one of the world's great companies" captures the essence of our dream. This is not a dream that takes place in the middle of the night only to be forgotten by sunrise. We live it each and every day.

We thank you as fellow customers, employees, and shareholders for being part of it.

A dream like this is fun. It is worthy, it is hard work, and it is joyful. It is not a common way that businesses describe themselves, it only happens over long periods of time, and it only matters if it helps other people.

Markel is more than the sum of the individual businesses that make up the holding company. Markel is an idea. Markel is a dream.

We're glad you're along for the ride. Let's keep going.

2021 Financial Results

We operate with the dual time horizon at Markel of, "Forever…... and Right Now."

2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	**20-Year CAGR** [(1)]
3,000	2,630	2,225	2,069	1,977	2,551	2,576	2,200	2,262	2,092	1,770	1,397	**12 %**
2,514	2,291	1,982	1,906	2,213	2,359	2,536	2,401	2,518	2,572	2,218	1,774	**10 %**
97 %	102 %	97 %	95 %	99 %	88 %	87 %	101 %	96 %	99 %	103 %	124 %	
9,333	8,728	8,224	7,849	6,893	7,775	7,524	6,588	6,317	5,350	4,314	3,591	**11 %**
969.23	907.20	846.24	799.34	702.34	780.84	752.80	672.34	641.49	543.31	438.79	365.70	**9 %**
253	142	267	202	(59)	406	393	148	165	123	75	(126)	
504	252	431	591	(403)	337	551	64	273	222	73	(77)	
3,889	3,388	3,172	2,774	2,181	2,641	2,296	1,705	1,657	1,382	1,159	1,085	**14 %**
403.85	352.10	326.36	282.55	222.20	265.26	229.78	174.04	168.22	140.38	117.89	110.50	**12 %**
9 %	9 %	13 %	11 %	10 %	18 %	16 %	11 %	20 %	13 %	13 %	18 %	
433.42	414.67	378.13	340.00	299.00	491.10	480.10	317.05	364.00	253.51	205.50	179.65	**10 %**
(2)%	(3)%	4 %	(1)%	3 %	19 %	22 %	12 %	19 %	7 %	6 %	15 %	

At the time of our initial public offering in 1986 we in essence said, "If you give us some money right now, we will use it to build a business that will be worth more over time." In 1986 we operated almost exclusively in the realm of insurance-related operations. Since that time, we've grown to become a holding company with three engines of Insurance, Markel Ventures, and Investments.

During 2021, we refined and explicitly described the role of the holding company. It's where the buck stops when it comes to matters of Culture, Capital, and Leadership.

We address our culture constantly through things like the message of this annual report, ongoing observance and discussion of the principles laid out in the creedal statement of the Markel Style, and our daily behavior.

We added to our capital this year from successfully operating our businesses.

Our leaders admirably captained their ships through unchartered and turbulent waters. They built their skills by doing so and we continue to attract and develop the leaders who will guide Markel in years to come.

Financially, we had a great year at your company and we're optimistic about where we're headed.

Here are some numbers to start framing the scope and scale of our progress.

In 1986, we reported total revenues of $33 million, comprehensive income-equivalent of $5 million, and each Markel share sold for $9.75.

In 2021, we're reporting total revenues of $12.8 billion, comprehensive income* of $2.1 billion, and at December 31, 2021 each Markel share sold for $1,234 (FYI - if our share price increases at a compound annual growth rate of 13.5638%, each share will sell for $5,678 in 12 years).

We can summarize the big picture as follows:

Time Horizon #1-Forever

It's working.

Time Horizon #2-Right Now

It's working.

*Comprehensive income means something different in GAAP accounting today than it did in 1986. We'll get to that with some comments about accounting later. Sorry.

Right Now-Status Report on the Three Engines of Markel

2021 stands as a milestone year for Markel. Each of our three engines performed beautifully throughout the year with record performance from each and every engine.

In total, they combined to report 2021 total revenues of $12.8 billion compared to $9.7 billion in 2020, and comprehensive income of $2.1 billion compared to $1.2 billion a year ago.

We've designed Markel to be a resilient and durable holding company. In any given year, we ought to be able to make forward progress even if only one of the three engines performs well. It is a thing of beauty to see what happens when all three of our engines run well. 2021 was such a year.

A nearly indescribable amount of human effort went into producing these record numbers. The ongoing pandemic continues to make each and every day harder than what we would otherwise hope. But the people of Markel, in every business, endured and flourished.

In 1986, we said in the very first words of the Markel Style that "We believe in hard work and a zealous pursuit of excellence while keeping a sense of humor." We also stated that, "Our creed is honesty and fairness in all our dealings."

2021 showed those attributes in spades.

To our employees reading this report: Each of you played a role in figuring out how to manage inconsistent health and safety conditions, changing workplace structures, supply chain roulettes, disrupted work, family, travel and other plans and everything else 2021 threw at you.

Thank you.

You did it and you produced record results while doing so. Wow!

We also want to provide a longer-term view of how things are going. We started the practice of looking at a few key statistics cumulatively over five-year horizons in last year's annual report. We provide the data in this format for several reasons. First, we think that longer term measurements tend to be more accurate. The effects of short-term volatility fade away and a better picture of real economic performance begins to emerge. We also base our incentive compensation calculations on five-year results since we think they are more meaningful than volatile year-by-year measurements. We think this approach puts management and shareholders side-by-side. We're not in this for the short-term and we don't think our shareholders are either. We're both rooting for great long-term returns. Here are some cumulative key measurements over the last three five-year periods.

(dollars in millions, except per share data)	2017 - 2021	2012 - 2016	2007 - 2011
Total revenues	$ 45,010	$ 23,439	$ 11,452
Earned premiums	$ 26,125	$ 16,910	$ 9,665
Underwriting profits	$ 943	$ 1,092	$ 384
ILS and Program Services revenues	$ 1,211	N/A	N/A
ILS and Program Services operating loss	$ (13)	N/A	N/A
Markel Ventures revenues	$ 11,747	$ 4,276	$ 715
Markel Ventures EBITDA	$ 1,392	$ 495	$ 77
Net investment income	$ 2,038	$ 1,689	$ 1,383
Comprehensive income to shareholders	$ 6,163	$ 2,799	$ 1,208
Closing stock price per share, at end of period	$1,234.00	$ 904.50	$ 414.67

Insurance Engine

Our overarching goal in insurance is to build a leading global specialty insurance organization. The 2021 results from our insurance engine were fantastic and demonstrate strong progress towards that goal.

In 2021, in our underwriting operations we produced total gross written premiums of $8.5 billion compared to $7.2 billion a year ago. This stands as a new record.

More importantly, this record volume produced record underwriting profits of $628 million compared to $128 million a year ago. The combined ratio improved to 90% in 2021 compared to 98% in 2020.

We also believe we've fundamentally improved the profitability and lowered the volatility of our underwriting operations compared to previous years. The cost of natural catastrophes continues to exceed historical averages. We've experienced our share of those high losses in recent years and that shows up in the five-year numbers. We've changed the nature and the mix of business we write to lower our exposure to natural catastrophes and 2021 shows encouraging results from our actions. We're optimistic that 2022 will provide further evidence of the fundamentally improved profitability of our underwriting operations.

Last year, we described our 10-5-1 initiative which set out the goal to grow our insurance underwriting operations to the level where it would produce $10 billion of annual premiums within five years at a 90% or better combined ratio which would yield $1 billion of underwriting profits.

We're pleased to report to you that we are on track. We hit all of the marks set out in our plans and we are optimistic that we'll be able to continue on that path in 2022. These goals describe what we thought we could do with our existing businesses. We did not contemplate any acquisitions to meet the targets.

We've never gone five years without acquisitions, and we suspect that could continue to be true. Regardless, we think we've got the people, the products, and the systems in place that can produce these results. Any acquisitions would be cherries on top of the sundae.

Our insurance businesses operate around the globe and involve unusual and complex risks. We need first rate professionals to understand the specific risks involved in the varied business we write. We need excellent claims professionals to make sure our customers are treated fairly when losses take place. We need sales professionals to connect us to opportunities to put business on the books. We need actuaries who work hand and glove with our underwriters to price, manage, and quantify the risks we assume in writing business.

We need IT professionals to empower all of us to understand and transact business in the same way a surgeon needs surgical instruments and all that goes into making an operating room function.

We need accounting professionals to accurately provide us with the status and results of our progress in the way pilots need navigation systems.

The list of what it takes to run our insurance-related operations goes on and on and on.

While the name "10-5-1" describes a goal of writing $10 billion of premium volume in five years with $1 billion of underwriting profits that goal is only an end result. It is an *outcome*. What "10-5-1" really describes is a *process* used to organize and systematize what it would take to achieve that outcome.

The beauty of the "10-5-1" program at Markel is that we used that *process* as a thinking tool to examine every aspect of our underwriting operations. Profitable growth doesn't just happen by itself. The discipline of "10-5-1" caused us to rethink and examine what we needed to do in every aspect of our insurance operations. We continue to reengineer our processes and we are pleased with the progress we're reporting to you in this year's results.

The reviews of our process that took place to develop the "10-5-1" goals help us to orchestrate and manage what it means to operate our underwriting operations at global scale.

We are not done with this sort of discipline. We think it is valuable to constantly review and examine each part of our operations in the same way a great football coach keeps studying film to find new ideas, improve execution, and manage the roster.

Insurance operations at Markel span the globe. We offer Insurance, Reinsurance, Insurance Linked Securities (ILS), and Program Services. The detailed financial reports following this letter will provide you with the greater details on these lines of business. Suffice it to say that across the board, results improved in 2021.

While our overall insurance engine results demonstrate strong performance, we know that investors continue to have questions regarding our ILS operations. We know that the aggregate results from ILS initiatives have not met our (or your) expectations.

To address that reality, here are some questions we'll attempt to answer.

Why participate in ILS?

What has happened so far?

What are the prospects?

Why participate in ILS? We wrote in previous annual reports that all customers in all industries everywhere around the globe want things to be "better, faster, and cheaper." This is the basis of competition in today's hyper competitive world, and we believe that ILS structures can accomplish that for many types of insurance products. We also believe that the ILS structure will address more types of insurance risks over time as technology advances. We believe that being great at ILS will help protect and build the long-term insurance operations of Markel.

ILS lowers the cost of insurance for insurance buyers by connecting insurance risks to capital providers who seek stability and non-correlation in their returns along with acceptable rates of return.

Life is full of trade-offs, and this is one of them. When we commit capital in our insurance operations, we seek a high absolute rate of return for assuming insurance risk. For example, even in today's world of very low interest rates, we still strive to earn double digit rates of return when we commit your capital.

By contrast, the funders of capital in ILS, which are mainly pension funds and endowments, are willing to trade off some portion of absolute return in exchange for a return that should not correlate to the returns from the stock or bond markets. A mix of insurance-linked securities within their portfolios provides stability and helps pension and endowment funds operate within their guidelines.

What has happened so far? What are the prospects?

Starting in 2015 we made two separate acquisitions to enter the ILS world. First, we bought CATCo in 2015 and then Nephila in 2018.

Each company occupied a different place in the ILS ecosystem. CATCo offered products that sought very high, but potentially quite volatile, returns. Nephila offered products designed to produce non-correlated returns with lower volatility than other ILS providers.

In addition, State National, acquired in 2017, provides administrative services such as access to licensing, rated insurance paper, regulatory compliance, and other services needed to operate an insurance-related business. Though not an ILS operation, State National demonstrates how interconnected ILS is with traditional insurance.

We believed that the array of products and services the group offered would create the leading platform in the ILS industry. It has. While things have not gone exactly to plan, we do indeed operate the leading platform in the ILS industry. The ILS ecosystem we operate already makes Markel a better and more attractive partner throughout the insurance industry. We also believe that our comprehensive approach to handling insurance needs through both traditional and ILS mechanisms makes Markel a better, broader and more attractive insurance partner for all of our clients.

In short, the CATCo acquisition did not work out. CATCo did not produce acceptable returns. We ceased CATCo operations in 2019 and continue the process of winding up the affairs of that business.

By contrast, our acquisition of State National has worked out wonderfully. State National, in its Program Services division, provides a suite of administrative services that any ILS provider requires to operate in the regulated industry of insurance. State National itself does not provide ILS. But ILS providers, and many other capital providers across the spectrum of insurance, need the types of services State National provides in order to operate.

State National operated like a well-oiled machine before our acquisition and it continues to do so. We couldn't be happier with their results and prospects. They produced record results and profitability in 2021. State National continues to exceed our expectations from when we acquired the company.

In the case of Nephila, returns have been below our initial expectations, but we remain confident and excited about their prospects. We deeply respect and trust the management at Nephila. We recognize that the results they produced for their investors suffered from the series of larger than expected natural catastrophe losses in recent years.

2021 was the second largest year for natural catastrophes on record. Nephila continues to increase rates for covering these exposures. They've done so for multiple years. As is the case with all insurance products, we make calculations to determine sufficient rates to cover the risks involved, and we iterate and update those calculations constantly.

It's also important to remember the distinction that business written by Nephila is on the balance sheet of their pension fund and endowment customers. The underwriting risks of their business is generally not borne by Markel.

Our profits from the Nephila operation will occur when their investors earn the results they expect from their investments in the ILS securities they purchased. When that occurs, Nephila earns incentive fees which are a share of the returns achieved by their customers.

Since our acquisition of Nephila, the returns they've produced for their customers remain largely below the thresholds where incentive compensation takes place. We expect that the ongoing pricing and underwriting changes taking place will produce better results.

As to timing, prices did rise in 2021 but not yet enough to cover another elevated year of natural catastrophe losses. Nephila continues to iterate, refine their models, tighten underwriting standards, and increase prices. During the course of 2022, we expect to operate Nephila with modest profitability throughout the year. It will only be at the conclusion of 2022 that bonus profitability can be determined.

As is often the case at Markel, we ask you to trust us.

We seek to earn that trust by clearly communicating to you (and ourselves) when we make mistakes, learning from them, and then taking actions to make things better.

We are a learning organization. We will keep making mistakes. They are part of learning and heaven help us if we ever fear making mistakes so much that we stop taking appropriate risks to continue to learn and grow.

We're confident that the people of Nephila are the best at what they do in the ILS industry. They are capable and trustworthy teammates that embody every aspect of the Markel Style. Over time, they've continued to refine their product offerings and respond to customer needs. They've introduced new products that meet marketplace needs and desires for ESG and climate change products alongside traditional insurance coverages.

We, and they, look forward to showing you some wonderful results in the fullness of time and we ask for your trust and patience until that day.

Over the decades we've always validated the trust you put in us. It defines who we are. We do our best, and that usually works out.

Our partners at Hagerty also went public in 2021. We started our relationship with Hagerty in 2013. In 2019, we purchased 25% of the company for $213 million. In December of 2021, Hagerty raised additional capital by going public. We invested an additional $30 million and now own 23% of the company.

At year end, the total market value of Hagerty, as calculated from the closing stock price on the New York Stock exchange of $14.18, stood at $4.7 billion. That number multiplied by 23% is $1.1 billion. The difference between our carrying value of $257 million and $1.1 billion is $849 million. That $849 million of market value does not appear anywhere in our financial statements. Wait…What? (See accounting discussion for more comments.)

Hagerty accurately describes itself as "For people who love cars." They are the leading specialty insurance company dedicated to automotive enthusiasts and are dedicated to "Serve drivers and the car culture for the future."

McKeel Hagerty leads a third-generation family business and he and his team have exceeded every hope we've had when we formed our partnership, and we look forward to many more years of being connected to the Hagerty organization. Hagerty, like us, is a purpose driven organization.

Markel is a purpose driven company, and our insurance operations provide a great example*. Life is a high wire act. We're the net that catches people when they fall.*

Markel Ventures Engine

In 2021, we reported record revenues of $3.6 billion compared to $2.8 billion in 2020. More importantly, we earned record EBITDA of $403 million compared to $367 million a year ago.

The people of Markel Ventures continue to embody every aspect of our creed as stated in the Markel Style.

We already referred to the first lines of the Markel Style when we talked about "hard work and a zealous pursuit of excellence." The second paragraph of the Markel Style states, "the Markel way is to seek to be a market leader in each of our pursuits. We seek to know our customers' needs and to provide our customers with quality products and services."

Notice how open ended this was in 1986? While we largely operated in the realm of insurance at that time, our creedal statement of the Markel Style recognized that it's a big world. We anticipated that people who embodied our values could take on new challenges in the fullness of time. Explicitly or implicitly, we left ourselves open to the idea of expanding beyond insurance.

Well, we've run with that idea.

Markel Ventures began in 2005 with the purchase of 80% of AMF Bakery equipment. At the time, AMF produced roughly $60 million in total revenues with EBITDA of approximately $5 million.

AMF Bakery equipment was indeed a *market leader in their industry* and *dedicated to knowing their customers and providing them with quality products and services*.

We've followed that recipe consistently for 16 years now and currently we've expanded the realm in which we operate to include house plants, building products, affordable housing, construction, concierge medical services, fire protection, IT consulting, data services, dorm room furniture, dredges, car trailers, industrial gas trailers, truck trailer flooring, and more.

In 2021, we added to our *more* list through our acquisitions of majority interests in Buckner Heavy Lift Cranes and Metromont. Buckner operates the largest domestic fleet of cranes that can lift up to 2000 tons. They are used for things like erecting wind turbines used to generate electricity at scale, large stadium construction, and renovation and other major construction projects.

Lifting hundreds up to thousands of tons cannot be done over the internet. It cannot be done from a distance. If you're going to lift a wind turbine in North Dakota or at sea you need to be there physically. You also really have to know what you're doing. This stuff is not for messing around. Buckner is a fourth-generation family business led by Doug Williams. Doug and his team exemplify everything we're looking for as we continue to grow.

Metromont is the leading producer of precast concrete in the southeast. Precast concrete is used for data centers, parking garages, office buildings, multifamily residential buildings, and other facilities. Precast concrete is an energy efficient and economically attractive way to build those types of structures. It's also heavy. As such, Metromont is unlikely to be subject to disruption by the internet or distant competitors. Metromont is a third-generation family business led by Rick Pennell. Rick and his team fit the mold of everything we're looking for in long-term minded people.

We welcome Buckner and Metromont to the family and we look forward to many years with Doug, Rick, and the teams at both companies.

At this time last year, we would not have expected to be able to find additional companies to add to Markel Ventures in 2021 given the extreme levels of pricing we observed in the private equity marketplace.

Fortunately, we found great leaders at Buckner and Metromont who cared about the long-term future of their businesses, and their people. While finances were important, and we paid and they received fair transaction prices, money wasn't the only factor. The long-term ethos and durable nature of Markel mattered to Doug and Rick and their teams as well.

We seek people like Doug and Rick and fortunately they seek us too. At this point, I don't know if we'll find any mates in 2022 or not but our circle of relationships keeps expanding and reinforcing itself with each and every day of doing business together and with each and every transaction. It's a flywheel.

What ties all of these businesses together is that they are operated by people who share our values. The diversification and autonomy of these businesses creates a durable and resilient ecosystem that drives Markel forward.

Our secret sauce behind continuing to scale Markel is a commitment to our values.

We can continue to grow by keeping our businesses as autonomous and independent as possible. *Values are scalable, complexity that develops from trying to micro-manage from the top down is not.*

First-rate people want the freedom and trust to feel a sense of ownership and pride in what they do. Our people are craftsmen who take pride in their companies. Our system and approach provide the necessary capital it takes to run a business with a stable long-term focus.

Our leaders can make decisions with a consistent north star of doing what is right over the long-term. We're willing to incur short-term costs and bend over backwards to take care of our customers and our people. We think that this constant, enduring, and consistent focus on empowering our people, and remaining focused on the long-term, produces wonderful and durable economic results over time.

In 2005, Markel Ventures reported $11 million in revenues and $2 million of EBITDA (we only owned 80% of AMF and we only owned it for a portion of the year). In 2021, Markel Ventures produced $3.6 billion in revenues and $403 million in EBITDA. Cumulatively we've invested approximately $3.4 billion to acquire and fund these businesses. Cumulatively these businesses have built up cash balances and returned $1.5 billion to Markel. In economic terms, we've got a net investment of $1.9 billion on the line and in 2021 alone they produced EBITDA of $403 million. The reality is even better than those numbers would suggest since we laid out the cash for Buckner and Metromont near year end and show the full amount of capital committed and only partial-year EBITDA against that outlay.

We think those are very good financial returns on a standalone basis. We also think the resiliency from the diversification makes Markel a more durable, adaptable, and strong company. We also believe that the products and services provided by the Markel Ventures companies magnify the Win-Win-Win architecture by serving our customers, our employees, and our shareholders.

The people of Markel Ventures, many of whom are front-line workers, coped with every wild pitch thrown at them in the topsy-turvy world of 2021. We are grateful and amazed for their skills and dedication and what they continue to do.

The Markel playbook works.

Investment Engine

In 2021, we earned returns of 29.6% on our equity portfolio and (0.7)% on our fixed income holdings for a taxable equivalent total investment return of 8.8%. For the last five-year period we earned annual returns of 18.6% on our equity portfolio and 3.2% on fixed income for a taxable equivalent total investment return of 8.3%. For the last 10 years we've earned annual returns of 17.3% on our equity portfolio and 3.1% on our fixed income portfolio for a taxable equivalent total investment return of 6.8%. We believe longer periods tell you more about the amount and durability of our investment returns.

Given our longstanding and continuous discipline in investments, this section of the report will be the shortest. We'll briefly repeat our investment philosophy but there is nothing new to add.

Of our three engines, investments will tend to be the most volatile from year to year given the normal volatility (read manic depressive nature) of investment markets. Volatility diminishes over longer time frames and that's why we report the ten-year numbers. We also think it helps us remain steadfast and consistent as we manage our investments.

As we have stated for many years, the first investment decision we make is to invest in either equity securities or fixed income holdings. We make that first decision by allocating enough funds to the highest quality fixed income holdings we can find to make sure that we have enough fixed income holdings, with a margin of safety, to more than cover the entire amount of what we expect to pay out to policyholders in the form of insurance claims over time.

After we make that allocation to fixed income, we have discretion over what remains. To the fullest extent possible (keeping the margin of safety concept in mind) we look for equity investments that meet our four-part test. Those four parts are one, to invest in businesses with good returns on capital that don't use too much debt, two, with management teams that possess equal measures of talent and integrity, three, that can reinvest their earnings at good rates of return or redistribute it, and four, at fair prices.

We hope you'll recognize the consistency of that four-part test through decades. In addition to our public security investments, equity investment decisions also include owning majority interests in privately held business (i.e., Markel Ventures).

As of December 31, 2021, our publicly traded portfolio stood at $9 billion. Our cost for that portfolio stands at $2.9 billion and the resulting unrealized gain totals $6.1 billion.

As to the value of the Markel Ventures portfolio……*

We'll include that in the * discussion on accounting matters.

Capital, Accounting, and Asterisks

In his book, *The Lincoln Highway*, Amor Towles wrote a section where one of the characters named Woolly explains his sense of the difference between a dictionary and a thesaurus. Towles writes, "How he had loved this dictionary-because its purpose was to tell you exactly what a word meant. Pick a word, turn to the appropriate page, and there was the word's meaning." A few paragraphs later Towles writes, "and as much as Woolly had loved the dictionary, he had loathed the thesaurus. Just the thought of it gave him the heebie-jeebies. Because the whole purpose of it seemed to be the opposite of the dictionary's. Instead of telling you exactly what a word meant, it took a word and gave you ten other words that could be used in its place."

I empathize with Woolly.

We would like to think we can be dictionary precise when using words like "capital" and "accounting" but we live in a thesaurus world.

Here are some thoughts about what these words mean in the context of Markel. Capital and accounting are intertwined and each of them create feedback loops upon the other. Some are tangible and some are intangible yet just as powerful and real.

For many words in the dictionary, there are multiple definitions. Capital is one of them. Capital has more than one definition and it means different things in different aspects of Markel.

In its most basic form, you can think of capital as the money we have. For the purposes of this discussion let's call that *blue capital*. It is the net value of our cash and investments. It is what we can allocate/ invest in the normal course of running our business.

To put some numbers on it, at year end 2021 we have shareholders equity capital of $15 billion. That's an accounting entry on the right hand side of our balance sheet and it matches up against cash, fixed income holdings and equity securities on the left hand side of the balance sheet.

As we've stated before, what we do with that *blue capital* is to allocate it in a four-step process that we've consistently followed for years. First, we invest in organic growth opportunities in our existing array of businesses. People in our organization who've proven themselves by running profitable businesses are first in line when they need capital to grow or expand their businesses. Secondly, we allocate capital to new opportunities in the form of acquisitions in insurance or Markel Ventures type businesses. Third, we look for publicly traded securities that meet our four-part test. Fourth, if we've funded all three of those initiatives and still have excess capital, and if we believe Markel shares to be undervalued, we repurchase our own stock.

All four of those things can be going on at the same time. All were during 2021. We funded every internal initiative that passed muster, we acquired Buckner and Metromont in our Markel Ventures operations, we made $88 million of net investments in publicly traded equity securities, and we repurchased $199 million of Markel stock.

While doing all of that with the *blue capital* that any of us would recognize and describe as money or financial assets, we needed to do so while keeping our eye on another form of "capital."

The second definition of "capital" is an amount that regulators and rating agencies calculate to make judgments about the financial strength and soundness of our insurance operations. Those entities review our business and determine the amounts of *blue capital* they think we should have to safely and soundly conduct our business. For the purposes of this discussion let's call that *orange capital.*

Orange capital is a calculated amount. It is a target or threshold figure that we must be above. We need to have more *blue capital* than *orange capital* to satisfy regulators and rating agencies. And the more we exceed the necessary *orange capital* amount with our *blue capital*, the more we have excess capital and higher financial strength ratings.

Also, our *blue capital* contains sub shades of blue. If we carry capital in the form of cash, US Treasury securities, sovereign securities, and other high-quality fixed income securities you can call that *navy blue capital.* We get close to 100% credit dollar for dollar on that kind of *blue capital* to satisfy the *orange capital* requirements.

When we invest some of that *blue capital* into publicly traded equity securities, the shade of blue changes. Let's call that *baby blue capital* since we only get approximately 50% credit on the value of our *baby blue capital* in counting towards our *orange capital* requirements. Part of our calculation when we allocate funds to equity securities is to keep in mind some sense of what our margin of safety is over the regulatory *orange capital* hurdle levels to have the time and flexibility to allow our equity securities to increase enough in value to handle market volatility.

As we stated earlier, our publicly traded equity portfolio stood at $9 billion at year end compared to a cost basis of $2.9 billion. We've made good *baby blue capital* allocation decisions over the years, but we must always do so while keeping a weather eye on the interaction between *orange* and *blue capital*.

More severely, when we invest in a Markel Ventures opportunity, that starts out providing zero *orange capital* credit. In the eyes of certain regulators and rating agencies, we've burned the *blue capital* that we used to purchase Markel Ventures companies. It becomes *invisible capital*. As the Markel Ventures companies make money and distribute those earnings up to the Markel Corporation holding company, that capital titrates from invisible back to blue. Then we get to start the flywheel all over again by seeing where we stand on our *orange capital* settings to see if we have enough flexibility to turn our *blue capital* into higher earning *baby blue* or *invisible capital*.

Orange capital requirements are also influenced by how *fast* our insurance operations are growing and what kind of insurance risks they are writing. Any growth creates higher *orange capital* requirements, and high volatility natural catastrophe property coverages require more *orange capital* than lower volatility lines.

Our financial results in any given period also affect the levels of *orange capital* that regulators and rating agencies require.

Orange capital requirements are also influenced by accounting rules and pronouncements which change over time.

For example, take asterisk #1 from the first page of this letter on comprehensive income and how it is calculated differently over time. In 1986 when we went public, comprehensive income meant the amount of net income we earned according to GAAP accounting principles of the time and the tax-effected unrealized gain on our equity securities portfolio for the year.

By 2021, GAAP accounting changed its definitions and moved the place where gains and losses from our equity investment portfolio are included from other comprehensive income into net income. The sum remains the same, but the presentation is different. More importantly, Markel is a different company than it was in 1986. In 2021, we own and operate a wonderful set of businesses that comprise Markel Ventures. While the net income from Markel Ventures in 2021 of $174 million gets included in our comprehensive income, the change in the overall value of the businesses does not show up anywhere in our financial statements.

In 2020, Markel Ventures reported revenues of $2.8 billion and EBITDA of $367 million. In 2021 Markel Ventures reported revenues of $3.6 billion and EBITDA of $403 million. I would suggest that Markel Ventures is worth more today than a year ago as evidenced by these financial results. That increase in value does not show up in our financial statements nor is it included in the definitions of comprehensive income.

Consequently, it does not strike me as an apples-to-apples comparison. GAAP accounting uses the same term, but it means different things in different parts of our business. Comprehensive income did a good job of describing Markel in 1986 because it captured just about all of the changes that drive the value of your company. In 2021, Markel is a different company. Our economic performance is more than what comprehensive income reports, because comprehensive income fails to incorporate the value we create through our Markel Ventures engine.

Beyond the comparability challenge borne from the value being created at Markel Ventures, developments at Hagerty this year add to the "Through the Looking Glass" qualities of financial reporting.

Before going public, the value of our investment in Hagerty was the invisible type of capital I described earlier. Hagerty has and continues to produce wonderful results and creates *blue capital* from its earnings, but I think any reasonable person would think that the total value of the company far exceeded the tangible book value created by yearly earnings.

Now that Hagerty is publicly traded, we at least have a daily mark to market indication of what Hagerty is worth in total and at year end, that amount was $1.1 billion.

That number of $1.1 billion compares to our carrying value of $257 million. The difference of $849 million does not appear anywhere on our financial statements. The accounting authorities opine that Markel is in a position to "significantly influence" the outcomes at Hagerty beyond what would normally be the case with our holdings of publicly traded securities and as such we will only include our annual percentage of earnings at Hagerty in our financial statements. As a result, we will not include the value of our Hagerty investment in the same way as we include the value of our publicly traded securities.

As the NYSE mark to market changes on a daily basis we will not include those changes in our comprehensive income calculations in the way that we do for publicly traded securities in our portfolio.

Accounting and economic reality seem detached to me.

Also, required levels of *orange capital* can be changed by fiat and whim of rating agencies and regulators and they can be moody.

All of this interplay creates a "Rubik's cube" where all of these items need to be balanced. We need to manage the real and potential feedback loops to keep all sides of the cube in alignment.

We are doing so and we're in fine shape.

Forever

As we continue to chart the radical idea of Markel being a forever company, we recognize that each and every one of us is mortal and our individual time horizons are not forever. We are constrained. But our ideas are not. The values that describe this company will endure and last beyond any of us. Richie and I are doing our best to build and maintain a culture that will last long after us. We're doing so by trying to set an example. We're doing so by trying to attract people to Markel who embrace our culture. We're doing so by trying to teach and inculcate values that will be practiced all around Markel, in all of our businesses, at all places, Forever…..and right now.

That is our task and I'm delighted to report to you that 2021 stands as a milestone of what things look like when the constant efforts from years and years of diligent work collide with a reasonable external environment. All three of our engines of Insurance, Investments, and Markel Ventures ran well and we are optimistic about the durability of this unique design.

The singer/songwriter (philosopher) Paul Simon in his song "Something so Right" wrote:

When something goes wrong
I'm the first to admit it
I'm the first to admit it
But the last one to know
When something goes right
Well it's likely to lose me
It's apt to confuse me
It's such an unusual sight
I can't get used to something so right
Something so right

Some people never say the words
"I love you"
It's not their style
To be so bold
Some people never say those words
"I love you"
But like a child they're longing to be told

Markel, in its own singular way, is, "Something so Right."

It works.

Every word of Simon's lyrics rings true for us and we will boldly tell you that we love you.

Thank you for your commitment to all that Markel means. We look forward to new challenges and new achievements that 2022 will bring, and to all that lies ahead.

Thank you.

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

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