

MARKEL CORP  
Form 10-Q  
May 07, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2014

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-15811

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MARKEL CORPORATION  
(Exact name of registrant as specified in its charter)

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Virginia  
(State or other jurisdiction of  
incorporation or organization)

54-1959284  
(I.R.S. Employer  
Identification No.)

4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148  
(Address of principal executive offices)  
(Zip Code)  
(804) 747-0136  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of the registrant's common stock outstanding at April 30, 2014: 13,969,287

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets  
(dollars in thousands)

	March 31, 2014 (unaudited)	December 31, 2013
<b>ASSETS</b>		
Investments, available-for-sale, at estimated fair value:		
Fixed maturities (amortized cost of \$10,074,531 in 2014 and \$10,129,141 in 2013)	\$10,236,737	\$10,142,536
Equity securities (cost of \$1,647,953 in 2014 and \$1,566,553 in 2013)	3,399,651	3,251,798
Short-term investments (estimated fair value approximates cost)	1,348,231	1,452,288
Total Investments	14,984,619	14,846,622
Cash and cash equivalents	2,151,420	1,978,526
Restricted cash and cash equivalents	634,029	786,926
Receivables	1,403,644	1,141,773
Reinsurance recoverable on unpaid losses	1,869,403	1,854,414
Reinsurance recoverable on paid losses	78,741	102,002
Deferred policy acquisition costs	334,593	260,967
Prepaid reinsurance premiums	379,621	383,559
Goodwill	1,019,770	967,717
Intangible assets	687,982	565,083
Other assets	909,170	1,067,922
Total Assets	\$24,452,992	\$23,955,511
<b>LIABILITIES AND EQUITY</b>		
Unpaid losses and loss adjustment expenses	\$10,369,020	\$10,262,056
Life and annuity benefits	1,483,606	1,486,574
Unearned premiums	2,364,784	2,127,115
Payables to insurance and reinsurance companies	355,032	295,496
Senior long-term debt and other debt (estimated fair value of \$2,428,000 in 2014 and \$2,372,000 in 2013)	2,255,824	2,256,227
Other liabilities	663,625	777,850
Total Liabilities	17,491,891	17,205,318
Redeemable noncontrolling interests	52,915	72,183
Commitments and contingencies		
Shareholders' equity:		
Common stock	3,302,301	3,288,863
Retained earnings	2,365,469	2,294,909
Accumulated other comprehensive income	1,232,362	1,089,805
Total Shareholders' Equity	6,900,132	6,673,577
Noncontrolling interests	8,054	4,433
Total Equity	6,908,186	6,678,010
Total Liabilities and Equity	\$24,452,992	\$23,955,511

See accompanying notes to consolidated financial statements.



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## MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income  
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	(dollars in thousands, except per share data)	
<b>OPERATING REVENUES</b>		
Earned premiums	\$949,375	\$564,587
Net investment income	86,715	64,617
Net realized investment gains	17,394	17,917
Other revenues	186,171	172,743
Total Operating Revenues	1,239,655	819,864
<b>OPERATING EXPENSES</b>		
Losses and loss adjustment expenses	542,303	287,896
Underwriting, acquisition and insurance expenses	355,505	228,673
Amortization of intangible assets	13,999	9,615
Other expenses	182,168	152,317
Total Operating Expenses	1,093,975	678,501
Operating Income	145,680	141,363
Interest expense	29,699	23,574
Income Before Income Taxes	115,981	117,789
Income tax expense	28,480	28,526
Net Income	87,501	89,263
Net income (loss) attributable to noncontrolling interests	(215	) 361
Net Income to Shareholders	\$87,716	\$88,902
<b>OTHER COMPREHENSIVE INCOME</b>		
Change in net unrealized gains on investments, net of taxes:		
Net holding gains arising during the period	\$147,296	\$181,599
Change in unrealized other-than-temporary impairment losses on fixed maturities arising during the period	(20	) 249
Reclassification adjustments for net gains included in net income	(5,944	) (12,255
Change in net unrealized gains on investments, net of taxes	141,332	169,593
Change in foreign currency translation adjustments, net of taxes	913	(1,181
Change in net actuarial pension loss, net of taxes	319	370
Total Other Comprehensive Income	142,564	168,782
Comprehensive Income	230,065	258,045
Comprehensive income (loss) attributable to noncontrolling interests	(208	) 361
Comprehensive Income to Shareholders	\$230,273	\$257,684
<b>NET INCOME PER SHARE</b>		
Basic	\$6.28	\$9.53
Diluted	\$6.25	\$9.50

See accompanying notes to consolidated financial statements.



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## MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
(Unaudited)

(dollars in thousands)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
December 31, 2012	\$908,980	\$2,068,340	\$ 911,337	\$ 3,888,657	\$ 360	\$3,889,017	\$ 86,225
Net income (loss)		88,902	—	88,902	(448 )	88,454	809
Other comprehensive income		—	168,782	168,782	—	168,782	—
Comprehensive Income (Loss)				257,684	(448 )	257,236	809
Issuance of common stock	19	—	—	19	—	19	—
Restricted stock units expensed	2,583	—	—	2,583	—	2,583	—
Adjustment of redeemable noncontrolling interests	—	2,886	—	2,886	—	2,886	(2,886 )
Purchase of noncontrolling interest	(283 )	—	—	(283 )	—	(283 )	(8,157 )
Other	31	(68 )	—	(37 )	5,000	4,963	(1,490 )
March 31, 2013	\$911,330	\$2,160,060	\$ 1,080,119	\$4,151,509	\$ 4,912	\$4,156,421	\$ 74,501
December 31, 2013	\$3,288,863	\$2,294,909	\$ 1,089,805	\$6,673,577	\$ 4,433	\$6,678,010	\$ 72,183
Net income (loss)		87,716	—	87,716	(324 )	87,392	109
Other comprehensive income		—	142,557	142,557	—	142,557	7
Comprehensive Income (Loss)				230,273	(324 )	229,949	116
Issuance of common stock	4,363	—	—	4,363	—	4,363	—
Repurchase of common stock	—	(17,282 )	—	(17,282 )	—	(17,282 )	—
Restricted stock units expensed	8,421	—	—	8,421	—	8,421	—
Adjustment of redeemable noncontrolling interests	—	117	—	117	—	117	(117 )
Purchase of noncontrolling	647	—	—	647	—	647	(18,405 )

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interest

Other	7	9	—	16	3,945	3,961	(862	)
March 31, 2014	\$3,302,301	\$2,365,469	\$ 1,232,362	\$6,900,132	\$ 8,054	\$6,908,186	\$ 52,915	

See accompanying notes to consolidated financial statements.

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## MARKEL CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	(dollars in thousands)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$87,501	\$89,263
Adjustments to reconcile net income to net cash provided by operating activities	(65,084	) (33,709
Net Cash Provided By Operating Activities	22,417	55,554
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales of fixed maturities and equity securities	660,447	52,834
Proceeds from maturities, calls and prepayments of fixed maturities	440,891	120,711
Cost of fixed maturities and equity securities purchased	(1,114,736	) (62,775
Net change in short-term investments	130,557	(410,662
Proceeds from sales of equity method investments	82,518	—
Cost of equity method investments	(8,050	) —
Change in restricted cash and cash equivalents	152,897	12,317
Additions to property and equipment	(10,725	) (14,442
Acquisitions, net of cash acquired	(153,735	) (36,531
Other	384	(2,438
Net Cash Provided (Used) By Investing Activities	180,448	(340,986
<b>FINANCING ACTIVITIES</b>		
Additions to senior long-term debt and other debt	10,120	507,969
Repayment and retirement of senior long-term debt and other debt	(8,608	) (268,522
Repurchases of common stock	(17,282	) (169
Issuance of common stock	4,363	19
Purchase of redeemable noncontrolling interests	(17,758	) (8,440
Distributions to noncontrolling interests	(1,168	) (2,032
Other	(609	) 2,364
Net Cash Provided (Used) By Financing Activities	(30,942	) 231,189
Effect of foreign currency rate changes on cash and cash equivalents	971	(7,546
Increase (decrease) in cash and cash equivalents	172,894	(61,789
Cash and cash equivalents at beginning of period	1,978,526	863,766
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$2,151,420</b>	<b>\$801,977</b>

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Markel Corporation is a diverse financial holding company serving a variety of niche markets. Markel Corporation's principal business markets and underwrites specialty insurance products and programs. Through its wholly-owned subsidiary, Markel Ventures, Inc. (Markel Ventures), Markel Corporation also owns interests in various industrial and service businesses that operate outside of the specialty insurance marketplace.

On May 1, 2013 (the Acquisition Date), Markel Corporation completed the acquisition of 100% of the issued and outstanding common stock of Alterra Capital Holdings Limited (Alterra) pursuant to an agreement dated December 18, 2012 (the Merger Agreement) which provided for the merger of Alterra with one of Markel Corporation's subsidiaries. Total purchase consideration was \$3.3 billion. Alterra was a Bermuda-headquartered global enterprise providing diversified specialty insurance and reinsurance products to corporations, public entities and other property and casualty insurers.

The consolidated balance sheet as of March 31, 2014 and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for the three months ended March 31, 2014 and 2013 are unaudited. In the opinion of management, all adjustments necessary for fair presentation of such consolidated financial statements have been included. Such adjustments consist only of normal, recurring items. Interim results are not necessarily indicative of results of operations for the entire year. The consolidated balance sheet as of December 31, 2013 was derived from Markel Corporation's audited annual consolidated financial statements.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of Markel Corporation and its subsidiaries (the Company). All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements include the results of operations and cash flows of Alterra from the Acquisition Date. The Company consolidates the results of its Markel Ventures subsidiaries on a one-month lag. Certain prior year amounts have been reclassified to conform to the current presentation.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements.

The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. Readers are urged to review the Company's 2013 Annual Report on Form 10-K for a more complete description of the Company's business and accounting policies.

2. Recent Accounting Pronouncements

Effective January 1, 2014, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU No. 2013-11 requires that a liability related to an unrecognized tax benefit be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In that case, the liability associated with the unrecognized tax benefit is presented in the financial statements as a reduction to the related deferred tax asset for a net operating loss carryforward, a similar tax

loss or a tax credit carryforward. Otherwise, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The adoption of this guidance did not have an impact on the Company's financial position, results of operations or cash flows.

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## 3. Acquisitions

## Acquisition of Alterra

a)Overview. On May 1, 2013, the Company completed the acquisition of 100% of the issued and outstanding common stock of Alterra. Results attributable to Alterra's property and casualty insurance and reinsurance business are included in each of the Company's underwriting segments, which were redefined during the first quarter of 2014. See note 6. Previously, Alterra also offered life and annuity reinsurance products. In 2010, Alterra ceased writing life and annuity reinsurance contracts and placed this business into run-off. Results attributable to the run-off of Alterra's life and annuity reinsurance business are included in the Company's Other Insurance (Discontinued Lines) segment. See note 6 for further discussion of the Company's reportable segments.

Pursuant to the terms of the Merger Agreement, on the Acquisition Date, equity holders of Alterra received, in exchange for each share of Alterra common stock held (other than restricted shares that did not vest in connection with the transaction), (1) 0.04315 shares of the Company's common stock and (2) \$10.00 in cash. Equity holders of Alterra received total consideration of \$3.3 billion, consisting of cash consideration of \$964.3 million and stock consideration of 4.3 million shares of the Company's common stock.

b)Fair Value of Net Assets Acquired and Liabilities Assumed. The purchase price was allocated to the acquired assets and liabilities of Alterra based on estimated fair values at the Acquisition Date. The Company recognized goodwill of \$295.7 million, of which \$107.8 million is included in the U.S. Insurance segment, \$89.8 million is included in the International Insurance segment and \$98.1 million is included in the Reinsurance segment. None of the goodwill that was recorded is deductible for income tax purposes. The Company also recognized indefinite lived intangible assets of \$37.5 million and other intangible assets of \$170.0 million, which are being amortized over a weighted average period of 17 years.

As part of the purchase price allocation, the Company adjusted the historical carrying value of the acquired assets and liabilities based on estimated fair values at the Acquisition Date. An explanation of the significant adjustments for fair value that are being amortized to net income is as follows:

Investments - Fixed maturity investments acquired include a net increase of \$223.1 million to adjust the historical carrying amount of Alterra's investments to their estimated fair value as of the Acquisition Date. The difference in the historical amortized cost of the fixed maturity investments acquired and their estimated fair value as of the Acquisition Date, \$495.5 million, represents incremental premium that is being amortized to net investment income over the term of the underlying securities. The amount of the unamortized incremental premium as of March 31, 2014 was \$299.9 million. The decrease in the unamortized incremental premium since the Acquisition Date is due to amortization expense of \$76.7 million, including \$18.4 million recorded during the first quarter of 2014, and sales of securities.

Unpaid losses and loss adjustment expenses - Unpaid losses and loss adjustment expenses acquired include an increase of \$120.8 million to adjust the carrying value of Alterra's historical unpaid losses and loss adjustment expenses, net of related reinsurance recoverable, to fair value as of the Acquisition Date. The estimated fair value consists of the present value of the expected net loss and loss adjustment expense payments plus a risk premium. This adjustment, plus the \$26.5 million unamortized fair value adjustment included in Alterra's historical unpaid losses and loss adjustment expenses, is being amortized to losses and loss adjustment expenses over a weighted average period of approximately five years, based on the estimated payout pattern of net reserves as of the Acquisition Date. As of March 31, 2014, the unamortized fair value adjustment included in unpaid losses and loss adjustment expenses was \$131.0 million.

Senior long-term debt - Senior long-term debt acquired includes an increase of \$71.9 million to adjust the carrying value of Alterra's senior long-term debt to its estimated fair value based on prevailing interest rates and other factors as of the Acquisition Date. This adjustment is being amortized to interest expense over the term of the notes. As of

March 31, 2014, the unamortized premium on the acquired senior long-term debt was \$63.9 million.

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## Acquisition of Abbey Protection

On January 17, 2014, the Company completed its acquisition of 100% of the share capital of Abbey Protection plc (Abbey), an integrated specialty insurance and consultancy group headquartered in London. Abbey's business is focused on the underwriting and sale of insurance products to small and medium-sized enterprises and affinity groups in the United Kingdom providing protection against legal expenses and professional fees incurred as a result of legal actions or investigations by tax authorities, as well as providing a range of complementary legal and professional consulting services. Premiums associated with Abbey's insurance operations for 2013 were in excess of \$60 million. Results attributable to Abbey's insurance operations are included in the International Insurance segment. Results attributable to Abbey's consultancy operations are reported with the Company's non-insurance operations, which are not included in a reportable segment.

Total consideration for this acquisition was \$190.7 million, all of which was cash consideration. The purchase price was allocated to the acquired assets and liabilities based on estimated fair values on January 17, 2014. The Company recognized goodwill of \$52.8 million, of which \$37.5 million was allocated to the International Insurance segment and \$15.3 million was allocated to the Company's non-insurance operations. None of the goodwill recognized is expected to be deductible for income tax purposes. The goodwill is primarily attributable to Abbey's assembled workforce and synergies that are expected to result upon integration of Abbey into the Company's insurance operations. The Company also recognized other intangible assets of \$130.6 million, including \$119.9 million of customer relationships and \$10.7 million of trade names. These intangible assets are expected to be amortized over 20 years and 14 years, respectively.

## 4. Investments

a)The following tables summarize the Company's available-for-sale investments.

(dollars in thousands)	March 31, 2014				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Unrealized Other-Than-Temporary Impairment Losses	Estimated Fair Value
Fixed maturities:					
U.S. Treasury securities and obligations of U.S. government agencies	\$ 780,801	\$ 8,446	\$(15,434)	\$—	\$ 773,813
Obligations of states, municipalities and political subdivisions	3,509,045	154,545	(14,683)	—	3,648,907
Foreign governments	1,548,401	40,642	(19,458)	—	1,569,585
Commercial mortgage-backed securities	354,194	1,010	(4,143)	—	351,061
Residential mortgage-backed securities	963,494	13,272	(15,181)	(2,258)	959,327
Asset-backed securities	184,342	385	(1,383)	—	183,344
Corporate bonds	2,734,254	50,409	(31,903)	(2,060)	2,750,700
Total fixed maturities	10,074,531	268,709	(102,185)	(4,318)	10,236,737
Equity securities:					
Insurance, banks and other financial institutions	443,079	621,467	(17)	—	1,064,529
Industrial, consumer and all other	1,204,874	1,131,301	(1,053)	—	2,335,122
Total equity securities	1,647,953	1,752,768	(1,070)	—	3,399,651
Short-term investments	1,348,212	19	—	—	1,348,231

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Investments, available-for-sale	\$ 13,070,696	\$ 2,021,496	\$(103,255 )	\$(4,318 )	\$ 14,984,619
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(dollars in thousands)	December 31, 2013				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Unrealized Other-Than- Temporary Impairment Losses	Estimated Fair Value
Fixed maturities:					
U.S. Treasury securities and obligations of U.S. government agencies	\$1,215,522	\$9,051	\$(30,342)	) \$—	\$1,194,231
Obligations of states, municipalities and political subdivisions	2,986,758	116,341	(27,384)	) —	3,075,715
Foreign governments	1,484,818	30,647	(54,411)	) —	1,461,054
Commercial mortgage-backed securities	379,555	62	(11,796)	) —	367,821
Residential mortgage-backed securities	875,902	13,046	(16,442)	) (2,258)	) 870,248
Asset-backed securities	189,646	257	(1,614)	) —	188,289
Corporate bonds	2,996,940	54,777	(61,650)	) (4,889)	) 2,985,178
Total fixed maturities	10,129,141	224,181	(203,639)	) (7,147)	) 10,142,536
Equity securities:					
Insurance, banks and other financial institutions	422,975	592,112	(4)	) —	1,015,083
Industrial, consumer and all other	1,143,578	1,094,251	(1,114)	) —	2,236,715
Total equity securities	1,566,553	1,686,363	(1,118)	) —	3,251,798
Short-term investments	1,452,270	18	—	—	1,452,288
Investments, available-for-sale	\$13,147,964	\$1,910,562	\$(204,757)	) \$(7,147)	) \$14,846,622



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b)The following tables summarize gross unrealized investment losses by the length of time that securities have continuously been in an unrealized loss position.

(dollars in thousands)	March 31, 2014				Total	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses
	Less than 12 months	12 months or longer	Estimated Fair Value	Estimated Fair Value		
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$342,593	\$(15,422 )	\$4,337	\$(12 )	\$346,930	\$(15,434 )
Obligations of states, municipalities and political subdivisions	439,805	(14,526 )	4,582	(157 )	444,387	(14,683 )
Foreign governments	734,180	(19,458 )	—	—	734,180	(19,458 )
Commercial mortgage-backed securities	206,242	(4,143 )	—	—	206,242	(4,143 )
Residential mortgage-backed securities	508,762	(17,439 )	—	—	508,762	(17,439 )
Asset-backed securities	85,100	(1,383 )	—	—	85,100	(1,383 )
Corporate bonds	1,234,155	(33,963 )	—	—	1,234,155	(33,963 )
Total fixed maturities	3,550,837	(106,334 )	8,919	(169 )	3,559,756	(106,503 )
Equity securities:						
Insurance, banks and other financial institutions	781	(17 )	—	—	781	(17 )
Industrial, consumer and all other	32,639	(1,053 )	—	—	32,639	(1,053 )
Total equity securities	33,420	(1,070 )	—	—	33,420	(1,070 )
Total	\$3,584,257	\$(107,404 )	\$8,919	\$(169 )	\$3,593,176	\$(107,573 )

At March 31, 2014, the Company held 1,058 securities with a total estimated fair value of \$3.6 billion and gross unrealized losses of \$107.6 million. Of these 1,058 securities, 11 securities had been in a continuous unrealized loss position for one year or longer and had a total estimated fair value of \$8.9 million and gross unrealized losses of \$0.2 million. All 11 securities were fixed maturities. The Company does not intend to sell or believe it will be required to sell these fixed maturities before recovery of their amortized cost.

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	December 31, 2013					
	Less than 12 months		12 months or longer		Total	
(dollars in thousands)	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$587,929	\$(30,342 )	\$—	\$—	\$587,929	\$(30,342 )
Obligations of states, municipalities and political subdivisions	513,608	(27,238 )	3,512	(146 )	517,120	(27,384 )
Foreign governments	950,040	(54,411 )	—	—	950,040	(54,411 )
Commercial mortgage-backed securities	357,737	(11,796 )	—	—	357,737	(11,796 )
Residential mortgage-backed securities	437,675	(18,700 )	—	—	437,675	(18,700 )
Asset-backed securities	142,011	(1,614 )	—	—	142,011	(1,614 )
Corporate bonds	1,817,737	(66,539 )	—	—	1,817,737	(66,539 )
Total fixed maturities	4,806,737	(210,640 )	3,512	(146 )	4,810,249	(210,786 )
Equity securities:						
Insurance, banks and other financial institutions	144	(4 )	—	—	144	(4 )
Industrial, consumer and all other	20,943	(714 )	27,735	(400 )	48,678	(1,114 )
Total equity securities	21,087	(718 )	27,735	(400 )	48,822	(1,118 )
Total	\$4,827,824	\$(211,358 )	\$31,247	\$(546 )	\$4,859,071	\$(211,904 )

At December 31, 2013, the Company held 1,364 securities with a total estimated fair value of \$4.9 billion and gross unrealized losses of \$211.9 million. Of these 1,364 securities, nine securities had been in a continuous unrealized loss position for one year or longer and had a total estimated fair value of \$31.2 million and gross unrealized losses of \$0.5 million. Of these securities, eight securities were fixed maturities and one was an equity security.

The Company completes a detailed analysis each quarter to assess whether the decline in the fair value of any investment below its cost basis is deemed other-than-temporary. All securities with unrealized losses are reviewed. The Company considers many factors in completing its quarterly review of securities with unrealized losses for other-than-temporary impairment, including the length of time and the extent to which fair value has been below cost and the financial condition and near-term prospects of the issuer. For equity securities, the ability and intent to hold the security for a period of time sufficient to allow for anticipated recovery is considered. For fixed maturities, the Company considers whether it intends to sell the security or if it is more likely than not that it will be required to sell the security before recovery, the implied yield-to-maturity, the credit quality of the issuer and the ability to recover all amounts outstanding when contractually due.

For equity securities, a decline in fair value that is considered to be other-than-temporary is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. For fixed

maturities where the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, a decline in fair value is considered to be other-than-temporary and is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. If the decline in fair value of a fixed maturity below its amortized cost is considered to be other-than-temporary based upon other considerations, the Company compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the credit-related portion of the other-than-temporary impairment, which is recognized in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the non-credit portion of the other-than-temporary impairment, which is recognized in other comprehensive income. The discount rate used to calculate the estimated present value of the cash flows expected to be collected is the effective interest rate implicit for the security at the date of purchase.

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When assessing whether it intends to sell a fixed maturity or if it is likely to be required to sell a fixed maturity before recovery of its amortized cost, the Company evaluates facts and circumstances including decisions to reposition the investment portfolio, potential sales of investments to meet cash flow needs and, ultimately, current market prices.

c)The amortized cost and estimated fair value of fixed maturities at March 31, 2014 are shown below by contractual maturity.

(dollars in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	\$783,252	\$790,476
Due after one year through five years	2,404,376	2,460,982
Due after five years through ten years	2,167,719	2,236,464
Due after ten years	3,217,154	3,255,083
	8,572,501	8,743,005
Commercial mortgage-backed securities	354,194	351,061
Residential mortgage-backed securities	963,494	959,327
Asset-backed securities	184,342	183,344
Total fixed maturities	\$10,074,531	\$10,236,737

d)The following table presents the components of net investment income.

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
Interest:		
Municipal bonds (tax-exempt)	\$23,104	\$21,448
Municipal bonds (taxable)	8,996	5,703
Other taxable bonds	35,744	21,332
Short-term investments, including overnight deposits	1,474	670
Dividends on equity securities	16,856	12,781
Change in fair value of credit default swap	1,160	3,290
Income from equity method investments	3,583	1,990
Other	19	62
	90,936	67,276
Investment expenses	(4,221	) (2,659
Net investment income	\$86,715	\$64,617

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e)The following table summarizes the activity for credit losses recognized in net income on fixed maturities where other-than-temporary impairment was identified and a portion of the other-than-temporary impairment was included in other comprehensive income.

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
Cumulative credit loss, beginning balance	\$ 12,748	\$ 21,370
Additions:		
Other-than-temporary impairment losses not previously recognized	—	—
Increases related to other-than-temporary impairment losses previously recognized	—	—
Total additions	—	—
Reductions:		
Sales or maturities of fixed maturities on which credit losses were recognized	(13	) —
Cumulative credit loss, ending balance	\$ 12,735	\$ 21,370

f)The following table presents net realized investment gains and the change in net unrealized gains on investments.

(dollars in thousands)	Three Months Ended March 31,		
	2014	2013	
Realized gains:			
Sales of fixed maturities	\$ 4,583	\$ 287	
Sales of equity securities	12,145	17,921	
Other	9,955	—	
Total realized gains	26,683	18,208	
Realized losses:			
Sales of fixed maturities	(8,484	) (138	)
Sales of equity securities	(146	) (153	)
Other	(659	) —	
Total realized losses	(9,289	) (291	)
Net realized investment gains	\$ 17,394	\$ 17,917	
Change in net unrealized gains on investments:			
Fixed maturities	\$ 148,811	\$ (31,348	)
Equity securities	66,453	280,895	
Short-term investments	1	5	
Net increase	\$ 215,265	\$ 249,552	

g)There were no writedowns for other-than-temporary declines in the estimated fair value of investments for the three months ended March 31, 2014 and 2013.

## 5. Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements and Disclosures, establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability.



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Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In accordance with FASB ASC 820, the Company determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including the market, income and cost approaches. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value, including an indication of the level within the fair value hierarchy in which each asset or liability is generally classified.

Investments available-for-sale. Investments available-for-sale are recorded at fair value on a recurring basis and include fixed maturities, equity securities and short-term investments. Short-term investments include certificates of deposit, commercial paper, discount notes and treasury bills with original maturities of one year or less. Fair value for investments available-for-sale is determined by the Company after considering various sources of information, including information provided by a third party pricing service. The pricing service provides prices for substantially all of the Company's fixed maturities and equity securities. In determining fair value, the Company generally does not adjust the prices obtained from the pricing service. The Company obtains an understanding of the pricing service's valuation methodologies and related inputs, which include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, duration, credit ratings, estimated cash flows and prepayment speeds. The Company validates prices provided by the pricing service by reviewing prices from other pricing sources and analyzing pricing data in certain instances.

The Company has evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange. Level 2 investments include U.S. Treasury securities and obligations of U.S. government agencies, municipal bonds, foreign government bonds, commercial mortgage-backed securities, residential mortgage-backed securities, asset-backed securities and corporate debt securities.

Fair value for investments available-for-sale is measured based upon quoted prices in active markets, if available. Due to variations in trading volumes and the lack of quoted market prices, fixed maturities are classified as Level 2 investments. The fair value of fixed maturities is normally derived through recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable data described above. If there are no recent reported trades, the fair value of fixed maturities may be derived through the use of matrix pricing or model processes, where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Significant inputs used to determine the fair value of obligations of states, municipalities and political subdivisions, corporate bonds and obligations of foreign

governments include reported trades, benchmark yields, issuer spreads, bids, offers, credit information and estimated cash flows. Significant inputs used to determine the fair value of commercial mortgage-backed securities, residential mortgage-backed securities and asset-backed securities include the type of underlying assets, benchmark yields, prepayment speeds, collateral information, tranche type and volatility, estimated cash flows, credit information, default rates, recovery rates, issuer spreads and the year of issue.

Derivatives. The Company is a party to a credit default swap agreement, under which third party credit risk is transferred from a counterparty to the Company. At both March 31, 2014 and December 31, 2013, the notional amount of the credit default swap was \$33.1 million, which represented the Company's aggregate exposure to losses if specified credit events involving third party reference entities occur. The credit default swap has a scheduled termination date of December 2014.



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The fair value of the credit default swap is measured by the Company on a recurring basis using an external valuation model. Due to the significance of unobservable inputs required in measuring the fair value of the credit default swap, the credit default swap has been classified as Level 3 within the fair value hierarchy.

Senior long-term debt and other debt. Senior long-term debt and other debt is carried at amortized cost with the estimated fair value disclosed on the consolidated balance sheets. Senior long-term debt and other debt is classified as Level 2 within the fair value hierarchy due to variations in trading volumes and the lack of quoted market prices. Fair value for senior long-term debt and other debt is generally derived through recent reported trades for identical securities, making adjustments through the reporting date, if necessary, based upon available market observable data including U.S. Treasury securities and implied credit spreads. Significant inputs used to determine the fair value of senior long-term debt and other debt include reported trades, benchmark yields, issuer spreads, bids and offers.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy.

(dollars in thousands)	March 31, 2014			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments available-for-sale:				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$—	\$773,813	\$—	\$773,813
Obligations of states, municipalities and political subdivisions	—	3,648,907	—	3,648,907
Foreign governments	—	1,569,585	—	1,569,585
Commercial mortgage-backed securities	—	351,061	—	351,061
Residential mortgage-backed securities	—	959,327	—	959,327
Asset-backed securities	—	183,344	—	183,344
Corporate bonds	—	2,750,700	—	2,750,700
Total fixed maturities	—	10,236,737	—	10,236,737
Equity securities:				
Insurance, banks and other financial institutions	1,064,529	—	—	1,064,529
Industrial, consumer and all other	2,335,122	—	—	2,335,122
Total equity securities	3,399,651	—	—	3,399,651
Short-term investments	1,209,462	138,769	—	1,348,231
Total investments available-for-sale	\$4,609,113	\$10,375,506	\$—	\$14,984,619
Liabilities:				
Derivative contracts	\$—	\$—	\$1,070	\$1,070

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(dollars in thousands)	December 31, 2013			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments available-for-sale:				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$—	\$1,194,231	\$—	\$1,194,231
Obligations of states, municipalities and political subdivisions	—	3,075,715	—	3,075,715
Foreign governments	—	1,461,054	—	1,461,054
Commercial mortgage-backed securities	—	367,821	—	367,821
Residential mortgage-backed securities	—	870,248	—	870,248
Asset-backed securities	—	188,289	—	188,289
Corporate bonds	—	2,985,178	—	2,985,178
Total fixed maturities	—	10,142,536	—	10,142,536
Equity securities:				
Insurance, banks and other financial institutions	1,015,083	—	—	1,015,083
Industrial, consumer and all other	2,236,715	—	—	2,236,715
Total equity securities	3,251,798	—	—	3,251,798
Short-term investments	1,312,561	139,727	—	1,452,288
Total investments available-for-sale	\$4,564,359	\$10,282,263	\$—	\$14,846,622
Liabilities:				
Derivative contracts	\$—	\$—	\$2,230	\$2,230

The following table summarizes changes in Level 3 liabilities measured at fair value on a recurring basis.

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
Derivatives, beginning of period	\$2,230	\$12,690
Total gains included in:		
Net income	(1,160)	(3,290)
Other comprehensive income	—	—
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Derivatives, end of period	\$1,070	\$9,400
Net unrealized gains included in net income relating to liabilities held at March 31, 2014 and 2013 <sup>(1)</sup>	\$1,160	\$3,290

<sup>(1)</sup> Included in net investment income in the consolidated statements of income and comprehensive income.

There were no transfers into or out of Level 1 and Level 2 during the three months ended March 31, 2014 and 2013. Except as disclosed in note 3, the Company did not have any assets or liabilities measured at fair value on a non-recurring basis during the three months ended March 31, 2014 and 2013.

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6. Segment Reporting Disclosures

In conjunction with the continued integration of Alterra into the Company's insurance operations, during the first quarter of 2014, the Company changed the way it aggregates and monitors its ongoing underwriting results. Effective January 1, 2014, the Company monitors and reports its ongoing underwriting operations in the following three segments: U.S. Insurance, International Insurance and Reinsurance. In determining how to aggregate and monitor its underwriting results, the Company considers many factors, including the geographic location and regulatory environment of the insurance entity underwriting the risk, the nature of the insurance product sold, the type of account written and the type of customer served. The U.S. Insurance segment includes all direct business and facultative placements written by the Company's insurance subsidiaries domiciled in the United States. The International Insurance segment includes all direct business and facultative placements written by the Company's insurance subsidiaries domiciled outside of the United States, including the Company's syndicate at Lloyd's of London. The Reinsurance segment includes all treaty reinsurance written across the Company. Results for lines of business discontinued prior to, or in conjunction with, acquisitions, including the results attributable to the run-off of life and annuity reinsurance business previously written by Alterra, will continue to be reported in the Other Insurance (Discontinued Lines) segment. All investing activities related to the Company's insurance operations are included in the Investing segment.

The Company's non-insurance operations include the Company's Markel Ventures operations, which primarily consist of controlling interests in various industrial and service businesses. The Company's non-insurance operations also include the results of the Company's legal and professional consulting services, which were acquired through the acquisition of Abbey in January 2014. For purposes of segment reporting, the Company's non-insurance operations are not considered to be a reportable segment.

Segment profit for the Investing segment is measured by net investment income and net realized investment gains or losses. Segment profit or loss for each of the Company's underwriting segments is measured by underwriting profit or loss. The property and casualty insurance industry commonly defines underwriting profit or loss as earned premiums net of losses and loss adjustment expenses and underwriting, acquisition and insurance expenses. Underwriting profit or loss does not replace operating income or net income computed in accordance with U.S. GAAP as a measure of profitability. Underwriting profit or loss provides a basis for management to evaluate the Company's underwriting performance. Segment profit or loss for the Company's underwriting segments also includes other revenues and other expenses, primarily related to the run-off of managing general agent operations that were discontinued in conjunction with acquisitions. Other revenues and other expenses in the Other Insurance (Discontinued Lines) segment are comprised of the results attributable to the run-off of life and annuity reinsurance business.

For management reporting purposes, the Company allocates assets to its underwriting, investing and non-insurance operations. Underwriting assets are all assets not specifically allocated to the Investing segment or to the Company's non-insurance operations. Underwriting and investing assets are not allocated to the U.S. Insurance, International Insurance, Reinsurance or Other Insurance (Discontinued Lines) segments since the Company does not manage its assets by underwriting segment. The Company does not allocate capital expenditures for long-lived assets to any of its underwriting segments for management reporting purposes.

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a)The following tables summarize the Company's segment disclosures. The segment disclosures for the prior period have been revised to be consistent with the new segment structure.

(dollars in thousands)	Three Months Ended March 31, 2014					
	U.S. Insurance	International Insurance	Reinsurance	Other Insurance (Discontinued Lines)	Investing	Consolidated
Gross premium volume	\$575,233	\$294,236	\$489,961	\$ 327	\$—	\$1,359,757
Net written premiums	474,054	229,120	435,997	140	—	1,139,311
Earned premiums	483,735	222,147	243,315	178	—	949,375
Losses and loss adjustment expenses:						
Current accident year	(312,413 )	(163,379 )	(173,900 )	—	—	(649,692 )
Prior accident years	43,554	42,297	28,200	(6,662 )	—	107,389
Underwriting, acquisition and insurance expenses	(193,529 )	(80,009 )	(81,972 )	5	—	(355,505 )
Underwriting profit (loss)	21,347	21,056	15,643	(6,479 )	—	51,567
Net investment income	—	—	—	—	86,715	86,715
Net realized investment gains	—	—	—	—	17,394	17,394
Other revenues (insurance)	2,110	7,348	2,136	43	—	11,637
Other expenses (insurance)	(1,647 )	(3,595 )	—	(8,615 )	—	(13,857 )
Segment profit (loss)	\$21,810	\$24,809	\$17,779	\$ (15,051 )	\$104,109	\$153,456
Other revenues (non-insurance)						174,534
Other expenses (non-insurance)						(168,311 )
Amortization of intangible assets						(13,999 )
Interest expense						(29,699 )
Income before income taxes						\$115,981
U.S. GAAP combined ratio <sup>(1)</sup>	96	% 91	% 94	% NM	<sup>(2)</sup>	95 %

The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of

<sup>(1)</sup> incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums.

<sup>(2)</sup> NM – Ratio is not meaningful.

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## Three Months Ended March 31, 2013

(dollars in thousands)	U.S. Insurance	International Insurance	Reinsurance	Other Insurance (Discontinued Lines)	Investing	Consolidated
Gross premium volume	\$445,264	\$235,875	\$62,140	\$ 21	\$—	\$743,300
Net written premiums	401,549	201,677	59,741	21	—	662,988
Earned premiums	355,141	178,192	31,233	21	—	564,587
Losses and loss adjustment expenses:						
Current accident year	(234,671 )	(120,862 )	(17,205 )	—	—	(372,738 )
Prior accident years	62,404	23,000	(979 )	417	—	84,842
Underwriting, acquisition and insurance expenses	(150,783 )	(69,774 )	(8,204 )	88	—	(228,673 )
Underwriting profit (loss)	32,091	10,556	4,845	526	—	48,018
Net investment income	—	—	—	—	64,617	64,617
Net realized investment gains	—	—	—	—	17,917	17,917
Other revenues (insurance)	7,263	3,962	—	—	—	11,225
Other expenses (insurance)	(6,197 )	(1,358 )	—	—	—	(7,555 )
Segment profit (loss)	\$33,157	\$13,160	\$4,845	\$ 526	\$82,534	\$134,222
Other revenues (non-insurance)						161,518
Other expenses (non-insurance)						(144,762 )
Amortization of intangible assets						(9,615 )
Interest expense						(23,574 )
Income before income taxes						\$117,789
U.S. GAAP combined ratio <sup>(1)</sup>	91	% 94	% 84	% NM	<sup>(2)</sup>	91

The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of

<sup>(1)</sup> incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums.

<sup>(2)</sup> NM – Ratio is not meaningful.

b) The following table reconciles segment assets to the Company's consolidated balance sheets.

(dollars in thousands)	March 31, 2014	December 31, 2013
Segment assets:		
Investing	\$17,709,901	\$17,550,332
Underwriting	5,771,517	5,468,731
Total segment assets	23,481,418	23,019,063
Non-insurance operations	971,574	936,448
Total assets	\$24,452,992	\$23,955,511

## 7. Goodwill

As described in note 6, effective January 1, 2014, the Company redefined its segments. As a result, goodwill was reallocated as of December 31, 2013 using a relative fair value allocation approach. The following table presents the components of goodwill by reportable segment.

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(dollars in thousands)	U.S. Insurance	International Insurance	Reinsurance	Other <sup>(1)</sup>	Total
December 31, 2013	\$280,579	\$372,764	\$122,745	\$191,629	\$967,717
Acquisitions	—	37,530	—	15,258	52,788
Foreign currency movements and other adjustments	—	(835 )	—	100	(735 )
March 31, 2014	\$280,579	\$409,459	\$122,745	\$206,987	\$1,019,770

(1) Amounts included in Other are related to the Company's non-insurance operations, which are not included in a reportable segment.

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## 8. Other Revenues and Other Expenses

The following table summarizes the components of other revenues and other expenses.

(dollars in thousands)	Three Months Ended March 31,			
	2014		2013	
	Other Revenues	Other Expenses	Other Revenues	Other Expenses
<b>Insurance:</b>				
Managing general agent operations	\$9,178	\$4,881	\$10,937	\$7,164
Life and annuity	43	8,615	—	—
Other	2,416	361	288	391
	11,637	13,857	11,225	7,555
<b>Non-Insurance:</b>				
Markel Ventures: Manufacturing	100,611	95,889	128,576	115,184
Markel Ventures: Non-Manufacturing	70,595	65,511	32,942	29,578
Abbey: Consulting services	3,328	6,911	—	—
	174,534	168,311	161,518	144,762
<b>Total</b>	<b>\$186,171</b>	<b>\$182,168</b>	<b>\$172,743</b>	<b>\$152,317</b>

The Company's Markel Ventures operations primarily consist of controlling interests in various industrial and service businesses and are viewed by management as separate and distinct from the Company's insurance operations. While each of the companies is operated independently from one another, management aggregates financial results into two industry groups: manufacturing and non-manufacturing.

The financial results of the companies in which the Company owns controlling interests have been consolidated in our financial statements. The financial results of those companies in which the Company owns a noncontrolling interest are accounted for under the equity method of accounting.

Effective January 17, 2014, the Company's non-insurance operations include the results of the legal and professional consulting services attributable to Abbey.

## 9. Reinsurance

The following table summarizes the effect of reinsurance and retrocessional reinsurance on premiums written and earned.

(dollars in thousands)	Three Months Ended March 31,			
	2014		2013	
	Written	Earned	Written	Earned
Direct	\$795,311	\$828,292	\$597,419	\$538,142
Assumed	564,446	347,699	145,881	102,127
Ceded	(220,446 )	(226,616 )	(80,312 )	(75,682 )
<b>Net premiums</b>	<b>\$1,139,311</b>	<b>\$949,375</b>	<b>\$662,988</b>	<b>\$564,587</b>

The percentage of ceded earned premiums to gross earned premiums was 19% and 12%, respectively, for the three months ended March 31, 2014 and 2013.

Incurred losses and loss adjustment expenses for the three months ended March 31, 2014 were net of reinsurance recoverables (ceded incurred losses and loss adjustment expenses) of \$97.6 million.



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## 10. Net Income per Share

Net income per share was determined by dividing adjusted net income to shareholders by the applicable weighted average shares outstanding. Diluted net income per share is computed by dividing adjusted net income to shareholders by the weighted average number of common shares and dilutive potential common shares outstanding during the period.

(in thousands, except per share amounts)	Three Months Ended March 31,	
	2014	2013
Net income to shareholders	\$87,716	\$88,902
Adjustment of redeemable noncontrolling interests	117	2,886
Adjusted net income to shareholders	\$87,833	\$91,788
Basic common shares outstanding	13,995	9,636
Dilutive potential common shares from conversion of options	11	3
Dilutive potential common shares from conversion of restricted stock	52	27
Diluted shares outstanding	14,058	9,666
Basic net income per share	\$6.28	\$9.53
Diluted net income per share	\$6.25	\$9.50

## 11. Other Comprehensive Income

Other comprehensive income includes net holding gains arising during the period, changes in unrealized other-than-temporary impairment losses on fixed maturities arising during the period and reclassification adjustments for net gains included in net income. Other comprehensive income also includes changes in foreign currency translation adjustments and changes in net actuarial pension loss.

The following table presents the change in accumulated other comprehensive income by component, net of taxes and noncontrolling interests, for the three months ended March 31, 2014 and 2013.

(dollars in thousands)	Unrealized Holding Gains on Available-for-Sale Securities	Foreign Currency	Net Actuarial Pension Loss	Total
December 31, 2012	\$ 946,933	\$(1,075 )	\$(34,521 )	\$911,337
Other comprehensive income (loss) before reclassifications	181,848	(1,181 )	—	180,667
Amounts reclassified from accumulated other comprehensive income	(12,255 )	—	370	(11,885 )
Total other comprehensive income (loss)	169,593	(1,181 )	370	168,782
March 31, 2013	\$ 1,116,526	\$(2,256 )	\$(34,151 )	\$1,080,119
December 31, 2013	\$ 1,131,507	\$(11,246 )	\$(30,456 )	\$1,089,805
Other comprehensive income before reclassifications	147,276	906	—	148,182
Amounts reclassified from accumulated other comprehensive income	(5,944 )	—	319	(5,625 )
Total other comprehensive income	141,332	906	319	142,557
March 31, 2014	\$ 1,272,839	\$(10,340 )	\$(30,137 )	\$1,232,362



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The following table summarizes the tax expense associated with each component of other comprehensive income.

(dollars in thousands)	Three Months Ended March	
	31, 2014	2013
Change in net unrealized gains on investments:		
Net holding gains arising during the period	\$75,523	\$85,546
Change in unrealized other-than-temporary impairment losses on fixed maturities arising during the period	564	75
Reclassification adjustments for net gains included in net income	(2,154	) (5,662
Change in net unrealized gains on investments	73,933	79,959
Change in foreign currency translation adjustments	342	38
Change in net actuarial pension loss	80	110
Total	\$74,355	\$80,107

The following table presents the details of amounts reclassified from accumulated other comprehensive income into income, by component.

(dollars in thousands)	Three Months Ended March	
	31, 2014	2013
Unrealized holding gains on available-for-sale securities:		
Net realized investment gains	\$8,098	\$17,917
Income taxes	(2,154	) (5,662
Reclassification of unrealized holding gains, net of taxes	\$5,944	\$12,255
Net actuarial pension loss:		
Underwriting, acquisition and insurance expenses	\$(399	) \$(480
Income taxes	80	110
Reclassification of net actuarial pension loss, net of taxes	\$(319	) \$(370

## 12. Contingencies

Contingencies arise in the normal course of the Company's operations and are not expected to have a material impact on the Company's financial condition or results of operations.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The accompanying consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of Markel Corporation and its subsidiaries (the Company).

#### Critical Accounting Estimates

Critical accounting estimates are those estimates that both are important to the portrayal of our financial condition and results of operations and require us to exercise significant judgment. The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of material contingent assets and liabilities, including litigation contingencies. These estimates, by necessity, are based on assumptions about numerous factors.

We review the following critical accounting estimates and assumptions quarterly: evaluating the adequacy of reserves for unpaid losses and loss adjustment expenses, life and annuity reinsurance benefit reserves, the reinsurance allowance for doubtful accounts and income tax liabilities, as well as analyzing the recoverability of deferred tax assets, estimating reinsurance premiums written and earned and evaluating the investment portfolio for other-than-temporary declines in estimated fair value. Critical accounting estimates and assumptions for goodwill and intangible assets are reviewed in conjunction with an acquisition and goodwill and indefinite-lived intangible assets are reassessed at least annually for impairment. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements.

Readers are urged to review our 2013 Annual Report on Form 10-K for a more complete description of our critical accounting estimates.

#### Our Business

We are a diverse financial holding company serving a variety of niche markets. Our principal business markets and underwrites specialty insurance products. We believe that our specialty product focus and niche market strategy enable us to develop expertise and specialized market knowledge. We seek to differentiate ourselves from competitors by our expertise, service, continuity and other value-based considerations. We also own interests in various industrial and service businesses that operate outside of the specialty insurance marketplace. Our financial goals are to earn consistent underwriting and operating profits and superior investment returns to build shareholder value.

On May 1, 2013, we completed the acquisition of 100% of the issued and outstanding common stock of Alterra Capital Holdings Limited (Alterra), a Bermuda-headquartered global enterprise providing diversified specialty property and casualty insurance and reinsurance products to corporations, public entities and other property and casualty insurers. In conjunction with the continued integration of Alterra into our insurance operations, during the first quarter of 2014, we changed the way we aggregate and monitor our ongoing underwriting results. Effective January 1, 2014, we monitor and report our ongoing underwriting operations in the following three segments: U.S. Insurance, International Insurance and Reinsurance. In determining how to aggregate and monitor our underwriting results, management considers many factors, including the geographic location and regulatory environment of the insurance entity underwriting the risk, the nature of the insurance product sold, the type of account written and the type of customer served.

The U.S. Insurance segment includes all direct business and facultative placements written by our insurance subsidiaries domiciled in the United States. The International Insurance segment includes all direct business and facultative placements written by our insurance subsidiaries domiciled outside of the United States, including our

syndicate at Lloyd's of London (Lloyd's). The Reinsurance segment includes all treaty reinsurance written across the Company. Results for lines of business discontinued prior to, or in conjunction with, acquisitions, will continue to be reported in the Other Insurance (Discontinued Lines) segment. Underwriting results attributable to Alterra, which were previously reported in our Alterra segment, are included in each of our underwriting segments effective May 1, 2013 (the Acquisition Date). All investing activities related to our insurance operations are included in the Investing segment.

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Our U.S. Insurance segment includes both hard-to-place risks written outside of the standard market on an excess and surplus lines basis and unique and hard-to-place risks that must be written on an admitted basis due to marketing and regulatory reasons. The following products are included in this segment: catastrophe-exposed property, professional liability, products liability, general liability, commercial umbrella, marine, workers' compensation and other coverages tailored for unique exposures. Business in this segment is written through our Wholesale, Specialty and Global Insurance divisions. The Wholesale division writes commercial risks, primarily on an excess and surplus lines basis, using a network of wholesale brokers managed on a regional basis. The Specialty division writes program insurance and other specialty coverages for well-defined niche markets, primarily on an admitted basis. The Global Insurance division writes risks outside of the standard market on both an admitted and non-admitted basis and is comprised of business previously written by Alterra. Global Insurance division business written by our U.S. insurance subsidiaries is included in this segment.

Our International Insurance segment writes risks that are characterized by either the unique nature of the exposure or the high limits of insurance coverage required by the insured. Risks written in the International Insurance segment are written on either a direct basis or a subscription basis, the latter of which means that loss exposures brought into the market are typically insured by more than one insurance company or Lloyd's syndicate. When we write business in the subscription market, we prefer to participate as lead underwriter in order to control underwriting terms, policy conditions and claims handling. Products offered within our International Insurance segment include primary and excess of loss property, casualty, excess liability, professional liability, equine, marine, energy and trade credit insurance. Business included in this segment is produced through our Markel International and Global Insurance divisions. The Markel International division writes business worldwide from our London-based platform, including Markel Syndicate 3000, through which our Lloyd's operations are conducted. Global Insurance division business written by our non-U.S. insurance subsidiaries, which primarily targets Fortune 1000 accounts, is included in this segment.

Our Reinsurance segment includes property, casualty and specialty treaty reinsurance products offered to other insurance and reinsurance companies globally through the broker market. Our treaty reinsurance offerings include both quota share and excess of loss reinsurance and are typically written on a participation basis. Principal lines of business include: property (including catastrophe exposed property), auto, general casualty, credit, surety, workers' compensation, professional liability, and marine and energy. Our reinsurance product offerings are underwritten by our Global Reinsurance division, which is primarily comprised of business previously written by Alterra, and our Markel International division.

For purposes of segment reporting, the Other Insurance (Discontinued Lines) segment includes lines of business that have been discontinued prior to, or in conjunction with, acquisitions. Alterra previously offered life and annuity reinsurance products. In 2010, Alterra ceased writing life and annuity reinsurance contracts and placed this business into run-off. Results attributable to the run-off of Alterra's life and annuity reinsurance business are included in the Other Insurance (Discontinued Lines) segment. This segment also includes development on asbestos and environmental loss reserves, none of which are related to the acquisition of Alterra.

Through our wholly-owned subsidiary Markel Ventures, Inc. (Markel Ventures), we own interests in various industrial and service businesses that operate outside of the specialty insurance marketplace. These businesses are viewed by management as separate and distinct from our insurance operations and are comprised of a diverse portfolio of companies from different industries, including manufacturing, healthcare, consumer and business and financial services. Local management teams oversee the day-to-day operations of these companies, while strategic decisions are made in conjunction with members of our executive management team, principally our President and Chief Investment Officer. While each of these companies is operated independently, we aggregate their financial results into two industry groups: manufacturing and non-manufacturing. The financial results of those companies in which we own controlling interests have been consolidated in our financial statements. The financial results of those companies

in which we hold a noncontrolling interest are accounted for under the equity method of accounting. Our strategy in making these private equity investments is similar to our strategy for purchasing equity securities. We seek to invest in profitable companies, with honest and talented management, that exhibit reinvestment opportunities and capital discipline, at reasonable prices. We intend to own the businesses acquired for a long period of time.

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In January 2014, we completed the acquisition of 100% of the share capital of Abbey Protection plc (Abbey), an integrated specialty insurance and consultancy group headquartered in London. Abbey's business is focused on the underwriting and sale of insurance products to small and medium-sized enterprises and affinity groups in the United Kingdom providing protection against legal expenses and professional fees incurred as a result of legal actions or investigations by tax authorities, as well as providing a range of complementary legal and professional consulting services. Premiums associated with Abbey's insurance operations for 2013 were in excess of \$60 million. Results attributable to Abbey's insurance operations are included in the International Insurance segment. Results attributable to Abbey's consultancy operations are reported with the Company's non-insurance operations, which are not included in a reportable segment.

In January 2013, we acquired Essentia Insurance Company, a company that underwrites insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency (collectively, Hagerty) throughout the United States. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles. Results attributable to Hagerty are included in the U.S. Insurance segment.

## Key Performance Indicators

We measure financial success by our ability to compound growth in book value per share at a high rate of return over a long period of time. To mitigate the effects of short-term volatility, we measure ourselves over a five-year period. We believe that growth in book value per share is the most comprehensive measure of our success because it includes all underwriting and investing results. We measure underwriting results by our underwriting profit or loss and combined ratio. We measure investing results by our taxable equivalent total investment return. These measures are discussed below in greater detail under "Results of Operations."

## Results of Operations

The following table presents the components of net income to shareholders.

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
Underwriting profit	\$51,567	\$48,018
Net investment income	86,715	64,617
Net realized investment gains	17,394	17,917
Other revenues	186,171	172,743
Amortization of intangible assets	(13,999)	(9,615)
Other expenses	(182,168)	(152,317)
Interest expense	(29,699)	(23,574)
Income tax expense	(28,480)	(28,526)
Net (income) loss attributable to noncontrolling interests	215	(361)
Net income to shareholders	\$87,716	\$88,902

The components of net income to shareholders are discussed in detail under "Underwriting Results," "Investing Results," "Other Revenues and Other Expenses" and "Interest Expense and Income Taxes."

## Underwriting Results

Underwriting profits are a key component of our strategy to grow book value per share. We believe that the ability to achieve consistent underwriting profits demonstrates knowledge and expertise, commitment to superior customer service and the ability to manage insurance risk. The property and casualty insurance industry commonly defines



underwriting profit or loss as earned premiums net of losses and loss adjustment expenses and underwriting, acquisition and insurance expenses. We use underwriting profit or loss as a basis for evaluating our underwriting performance.

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Consolidated (as reported)

The following table presents selected data from our underwriting operations.

(dollars in thousands)	Three Months Ended March 31,			
	2014		2013	
Gross premium volume	\$1,359,757		\$743,300	
Net written premiums	1,139,311		662,988	
Net retention	84	%	89	%
Earned premiums	949,375		564,587	
Losses and loss adjustment expenses	542,303		287,896	
Underwriting, acquisition and insurance expenses	355,505		228,673	
Underwriting profit	51,567		48,018	
U.S. GAAP Combined Ratios <sup>(1)</sup>				
U.S. Insurance	96	%	91	%
International Insurance	91	%	94	%
Reinsurance	94	%	84	%
Other Insurance (Discontinued Lines)	NM		<sup>(2)</sup> NM	<sup>(2)</sup>
Markel Corporation (Consolidated)	95	%	91	%

(1) The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums. A combined ratio less than 100% indicates an underwriting profit, while a combined ratio greater than 100% reflects an underwriting loss.

(2) NM – Ratio is not meaningful.

Our combined ratio was 95% for the quarter ended March 31, 2014 compared to 91% for the same period of 2013. The increase in the combined ratio in 2014 was driven by a higher current accident year loss ratio and a less favorable prior accident years loss ratio, partially offset by a lower expense ratio.

The increase in the 2014 consolidated current accident year loss ratio is primarily due to a higher current accident year loss ratio in our International Insurance and Reinsurance segments, each of which have a higher portion of earnings attributable to legacy Alterra product offerings than our U.S. Insurance segment. During the first quarter of 2014, legacy Alterra product offerings carried a higher current accident year loss ratio than our other product offerings primarily due to higher attritional loss ratios and the impact of applying our more conservative loss reserving philosophy.

The consolidated combined ratio for the quarter ended March 31, 2014 included \$107.4 million of favorable development on prior years' loss reserves compared to \$84.8 million of favorable development for the same period in 2013. Favorable development on prior years' loss reserves for the quarter ended March 31, 2014 had less of an impact on the combined ratio, however, due to higher earned premium volume in 2014.

The decrease in the consolidated expense ratio for the quarter ended March 31, 2014 was primarily driven by higher earned premiums in our U.S. Insurance, International Insurance and Reinsurance segments compared to 2013. Additionally, as a result of the acquisition of Alterra, our first quarter 2014 results benefited from a higher proportion of earnings from reinsurance products which typically have a lower expense ratio than insurance products.

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## Consolidated (pro forma)

As a result of the acquisition of Alterra on May 1, 2013, the underwriting results for Alterra are included in our results for the first quarter 2014 and not in the same period for 2013. Therefore, a comparison of current and prior year periods has been included on a pro forma basis as if the acquisition of Alterra had occurred on January 1, 2013. The pro forma financial information is for informational purposes only and does not necessarily reflect the results that would have occurred had the acquisition taken place on January 1, 2013, nor is it necessarily indicative of future results. There were no material adjustments to the pro forma underwriting results for the quarters ended March 31, 2014 and 2013.

The following table presents the consolidated underwriting results on a pro forma basis for the quarters ended March 31, 2014 and 2013.

(dollars in thousands)	Pro Forma		
	Three Months Ended March 31,		
	2014	2013	
Gross premium volume	\$1,359,757	\$1,392,569	
Net written premiums	1,139,311	1,122,050	
Net retention	84	% 81	%
Earned premiums	949,375	909,848	
Losses and loss adjustment expenses	542,303	491,207	
Underwriting, acquisition and insurance expenses	350,812	343,278	
Underwriting profit	\$56,260	\$75,363	
U.S. GAAP combined ratio <sup>(1)</sup>	94	% 92	%

The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of <sup>(1)</sup> incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums.

On a pro forma basis our combined ratio was 94% for the quarter ended March 31, 2014 compared to 92% for the same period of 2013. For the quarter ended March 31, 2014, the increase in the pro forma combined ratio was driven by a higher loss ratio, primarily as a result of applying our more conservative loss reserving philosophy to Alterra's long-tailed lines of business.

## U.S. Insurance Segment

The combined ratio for the U.S. Insurance segment was 96% for the quarter ended March 31, 2014 compared to 91% for the same period of 2013. For the quarter ended March 31, 2014, less favorable development of prior accident years' loss reserves was partially offset by a lower expense ratio.

The U.S. Insurance segment's combined ratio for the quarter ended March 31, 2014 included \$43.6 million of favorable development on prior years' loss reserves compared to \$62.4 million of favorable development for the same period in 2013. The redundancies on prior years' loss reserves experienced within the U.S. Insurance segment during 2014 and 2013 were most significant on our casualty product lines across several accident years. In 2014, favorable development on our casualty product lines was partially offset by unfavorable development on our architects and engineers product line on the 2008 through 2012 accident years. This unfavorable development was driven by an increase in the frequency of high severity claims during the first quarter of 2014. Based on this experience, our actuaries increased their estimates of ultimate losses and management increased prior years' loss reserves accordingly. The quarter ended March 31, 2013 included \$9.4 million of favorable development on Hurricane Sandy.

The improvement in the U.S. Insurance segment's expense ratio for the quarter ended March 31, 2014 was primarily due to higher earned premiums compared to the first quarter of 2013. The increase in earned premiums was driven by

earned premiums attributable to the Alterra acquisition and higher earned premiums from our Hagerty classic car program.

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The U.S. Insurance segment's current accident year loss ratio for the quarter ended March 31, 2014 was impacted by higher loss ratios within the Global Insurance division primarily on our marine and professional liability product lines, which generally have higher attritional loss ratios than other products in the U.S. Insurance segment. The current accident year loss ratios on our marine and professional liability product lines within the Global Insurance division were also impacted by applying our more conservative loss reserving philosophy in 2014. This unfavorable impact of the Global Insurance division was more than offset by a favorable impact from the Hagerty business which carries a lower loss ratio than other product lines included in the U.S. Insurance segment.

### International Insurance Segment

The combined ratio for the International Insurance segment was 91% for the quarter ended March 31, 2014 compared to 94% for the same period of 2013. For the quarter ended March 31, 2014, more favorable development of prior accident years' loss reserves and a lower expense ratio were partially offset by a higher current accident year loss ratio.

The International Insurance segment's combined ratio for the quarter ended March 31, 2014 included \$42.3 million of favorable development on prior years' loss reserves compared to \$23.0 million of favorable development for the same period of 2013. The favorable development on prior years' loss reserves in 2014 was primarily in the Marine, Professional and Financial Risks and Elliott Special Risks units within the Markel International division, on the 2006 to 2011 accident years. The favorable development on prior years' loss reserves in 2013 was on the 2010 accident year and occurred primarily in the Marine, Specialty and Elliott Special Risks units.

The improvement in the International Insurance segment's expense ratio for the quarter ended March 31, 2014 was primarily due to a favorable impact of earnings from the Global Insurance division in 2014. The Global Insurance division uses higher levels of reinsurance than the rest of the International Insurance segment, and the related ceding commissions result in a lower overall commission rate.

The increase in the International Insurance segment's current accident year loss ratio in 2014 was driven by higher loss ratios within the Global Insurance division on our general and professional liability product lines, which generally have higher attritional loss ratios than other products in the International Insurance segment. The current accident year loss ratios on our professional and general liability product lines within the Global Insurance division were also impacted by applying our more conservative loss reserving philosophy in 2014.

### Reinsurance Segment

The combined ratio for the Reinsurance segment was 94% for the quarter ended March 31, 2014 compared to 84% for the same period of 2013. For the quarter ended March 31, 2014, the increase in the combined ratio was due to a higher current accident year loss ratio and a higher expense ratio, partially offset by more favorable development on prior accident years' loss reserves compared to the same period of 2013.

The higher current accident year loss ratio in 2014 was due to including more casualty reinsurance business in the Reinsurance segment. For the quarter ended March 31, 2014, the Reinsurance segment primarily consisted of casualty reinsurance business, where for the same period in 2013 it was primarily property reinsurance. As a result of this change in mix of business and applying our more conservative loss reserving philosophy to the long-tailed lines of business, the Reinsurance segment's current accident year loss ratio increased during 2014.

The increase in the Reinsurance segment's expense ratio for the quarter ended March 31, 2014 was primarily due to the contribution of the casualty reinsurance product lines in 2014, which generally carry a higher commission rate than our property reinsurance business.

The Reinsurance segment's combined ratio for the quarter ended March 31, 2014 included \$28.2 million of favorable development on prior years' loss reserves compared to \$1.0 million of unfavorable development for the same period of 2013. The favorable development on prior years' loss reserves in 2014 was primarily on our property lines on the 2013 accident year.

Other Insurance (Discontinued Lines)

The Other Insurance (Discontinued Lines) segment produced an underwriting loss of \$6.5 million for the three months ended March 31, 2014 compared to an underwriting profit of \$0.5 million for the same period of 2013. The underwriting loss in 2014 was primarily due to unfavorable development related to discontinued lines of business previously written by Alterra.

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## Premiums and Net Retentions

The following tables summarize gross premium volume, net written premiums and earned premiums by segment.

## Gross Premium Volume

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
U.S. Insurance	\$575,233	\$445,264
International Insurance	294,236	235,875
Reinsurance	489,961	62,140
Other Insurance (Discontinued Lines)	327	21
Total	\$1,359,757	\$743,300

Gross premium volume for the three months ended March 31, 2014 increased 83% compared to the same period of 2013. The increase in gross premium volume in the first quarter of 2014 was primarily due to the inclusion of premiums attributable to Alterra from May 1, 2013, which impacted all three of our ongoing underwriting segments in 2014. Also contributing to the increase in gross premium volume in 2014 were higher gross written premiums from the Hagerty business within the U.S. Insurance segment. Foreign currency exchange rate movements did not have a significant impact on gross premium volume for the first quarter of 2014.

During 2013, we saw mid-single digit favorable rate changes across much of our portfolio as market conditions improved and revenues, gross receipts and payrolls of our insureds were favorably impacted by improved economic conditions. We have continued to see modest price increases across many of our product lines during the first quarter of 2014 and will pursue price increases when possible. However, in the fourth quarter of 2013 and continuing into the first quarter of 2014 we have experienced softening prices on our international catastrophe exposed property product lines and in our reinsurance book. When we believe the prevailing market price will not support our underwriting profit targets, the business is not written. As a result of our underwriting discipline, gross premium volume may vary when we alter our product offerings to maintain or improve underwriting profitability.

On a pro forma basis, gross premiums written were \$1,359.8 million in the first quarter of 2014 compared to \$1,392.6 million in the same period for 2013. The decrease in pro forma gross premium volume in 2014 is due in part to lower reinsurance premiums, driven by several non-renewals and softening market conditions. This decrease was partially offset by an increase in gross written premiums from Hagerty.

## Net Written Premiums

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
U.S. Insurance	\$474,054	\$401,549
International Insurance	229,120	201,677
Reinsurance	435,997	59,741
Other Insurance (Discontinued Lines)	140	21
Total	\$1,139,311	\$662,988

Net retention of gross premium volume for the three months ended March 31, 2014 was 84% compared to 89% for the same period of 2013. As part of our underwriting philosophy, we have historically sought to offer products with limits that did not require significant reinsurance. Following the acquisition of Alterra, we have certain insurance and reinsurance products that use higher levels of reinsurance. We purchase reinsurance and retrocessional reinsurance in order to manage our net retention on individual risks and enable us to write policies with sufficient limits to meet policyholder needs.

On a pro forma basis, net retention of gross premium volume was 84% in the first quarter of 2014 compared to 81% in the same period of 2013. The increase in pro forma net retention in the first quarter of 2014 is primarily driven by higher retentions on certain of our reinsurance products.



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## Earned Premiums

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
U.S. Insurance	\$483,735	\$355,141
International Insurance	222,147	178,192
Reinsurance	243,315	31,233
Other Insurance (Discontinued Lines)	178	21
Total	\$949,375	\$564,587

Earned premiums for the three months ended March 31, 2014 increased 68% compared to the same period of 2013. The increase in earned premiums for the first quarter of 2014 was driven by the inclusion of a full quarter of earnings on the legacy Alterra product offerings in all three of our ongoing underwriting segments. Also contributing to the increase in earned premiums was higher earned premiums from the Hagerty business, which we began writing in the first quarter of 2013. The U.S. Insurance segment included \$47.9 million and \$4.0 million of earned premiums from Hagerty for the quarters ended March 31, 2014 and 2013, respectively. Foreign currency exchange rate movements did not have a significant impact on earned premiums for the first quarter of 2014.

On a pro forma basis, earned premiums were \$949.4 million in the first quarter of 2014 compared to \$909.8 million in the same period of 2013. The increase in earned premiums of \$39.6 million is primarily due to higher earned premiums from Hagerty.

## Investing Results

Net investment income for the three months ended March 31, 2014 was \$86.7 million compared to \$64.6 million for the same period of 2013. Net investment income for the three months ended March 31, 2014 was net of \$18.4 million of amortization expense as a result of establishing a new amortized cost for Alterra's fixed maturity securities as of the Acquisition Date. The increase in net investment income for the quarter ended March 31, 2014 is primarily due to net investment income attributable to the investment portfolio acquired through the Alterra acquisition. See note 4(d) of the notes to consolidated financial statements for details regarding the components of net investment income.

Net realized investment gains for the first quarter of 2014 were \$17.4 million compared to \$17.9 million for the first quarter of 2013. There were no write downs for other-than-temporary declines in the estimated fair value of investments for the quarters ended March 31, 2014 and 2013.

We complete a detailed analysis each quarter to assess whether the decline in the fair value of any investment below its cost basis is deemed other-than-temporary. At March 31, 2014, we held securities with gross unrealized losses of \$107.6 million, or less than 1% of invested assets. All securities with unrealized losses were reviewed, and we believe that there were no securities with indications of declines in estimated fair value that were other-than-temporary at March 31, 2014. However, given the volatility in the debt and equity markets, we caution readers that further declines in fair value could be significant and may result in additional other-than-temporary impairment charges in future periods. Variability in the timing of realized and unrealized gains and losses is to be expected.

## Other Revenues and Other Expenses

## Markel Ventures Operations

Operating revenues and expenses associated with our Markel Ventures operations are included in other revenues and other expenses in the consolidated statements of income and comprehensive income. We consolidate our Markel Ventures operations on a one-month lag. The following table summarizes the operating revenues, net income to

shareholders and earnings before interest, income taxes, depreciation and amortization (EBITDA) from our Markel Ventures operations.

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(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
Operating revenues	\$171,206	\$161,518
Net income to shareholders	\$1,067	\$3,644
EBITDA	\$14,111	\$19,360

Revenues from our Markel Ventures operations increased \$9.7 million for the three months ended March 31, 2014 compared to the same period of 2013 primarily due to our acquisition of Eagle Construction of VA LLC (Eagle) in August 2013, partially offset by a decrease in revenues from our Markel Ventures manufacturing operations as a result of fewer shipments and orders in the first quarter of 2014 compared to 2013. Net income to shareholders and EBITDA from our Markel Ventures operations decreased for the three months ended March 31, 2014 compared to the same period of 2013 primarily due to less favorable results in our Markel Ventures manufacturing operations, partially offset by a favorable impact from our acquisition of Eagle.

Markel Ventures EBITDA is a non-GAAP financial measure. We use Markel Ventures EBITDA as an operating performance measure in conjunction with U.S. GAAP measures, including revenues and net income, to monitor and evaluate the performance of our Markel Ventures operations. Because EBITDA excludes interest, income taxes, depreciation and amortization, it provides an indicator of economic performance that is useful to both management and investors in evaluating our Markel Ventures businesses as it is not affected by levels of debt, interest rates, effective tax rates or levels of depreciation and amortization resulting from purchase accounting. The following table reconciles EBITDA of Markel Ventures, net of noncontrolling interests, to consolidated net income to shareholders.

(dollars in thousands)	Three Months Ended March 31,	
	2014	2013
Markel Ventures EBITDA - Manufacturing	\$7,408	\$15,488
Markel Ventures EBITDA - Non-Manufacturing	6,703	3,872
Markel Ventures EBITDA - Total	14,111	19,360
Interest expense <sup>(1)</sup>	(2,381	) (2,482
Income tax expense	(486	) (4,297
Depreciation expense	(5,229	) (4,678
Amortization of intangible assets	(4,948	) (4,259
Markel Ventures net income to shareholders	1,067	3,644
Net income from other Markel operations	86,649	85,258
Net income to shareholders	\$87,716	\$88,902

<sup>(1)</sup> Interest expense for the three months ended March 31, 2014 and 2013 includes intercompany interest expense of \$1.6 million.

## Life and Annuity Benefits

The Other Insurance (Discontinued Lines) segment included other expenses of \$8.6 million for the three months ended March 31, 2014 related to the life and annuity reinsurance business which was assumed through the acquisition of Alterra on May 1, 2013. This business is in run-off and we are not writing any new life and annuity reinsurance contracts. The life and annuity benefit reserves are recorded on a discounted present value basis using assumptions that were determined at the Acquisition Date. The accretion of this discount is recognized in the statement of income and comprehensive income as other expenses. Other revenues attributable to the life and annuity business included in the Other Insurance (Discontinued Lines) segment represent ongoing premium adjustments on existing contracts.

## Interest Expense and Income Taxes

Interest expense was \$29.7 million and \$23.6 million for the quarters ended March 31, 2014 and 2013, respectively. The increase in interest expense for 2014 is due in part to \$3.4 million and \$1.3 million, respectively, of interest expense associated with our 6.25% unsecured senior notes and 7.20% unsecured senior notes which were assumed in connection with the acquisition of Alterra. Interest expense for the quarter ended March 31, 2014 also increased due to the March 2013 issuance of our 3.625% unsecured senior notes and 5.0% unsecured senior notes, partially offset by the repayment of our 6.80% unsecured notes in February 2013.

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The effective tax rate was 25% and 24% for the three months ended March 31, 2014 and 2013, respectively. For both periods, the effective tax rate differs from the U.S. statutory tax rate of 35% primarily as a result of tax-exempt investment income. The increase in the effective tax rate in 2014 was driven by higher estimated earnings taxed at a 35% tax rate.

### Comprehensive Income to Shareholders

Comprehensive income to shareholders was \$230.3 million for the three months ended March 31, 2014 compared to \$257.7 million for the same period of 2013. Comprehensive income to shareholders for the first quarter of 2014 included an increase in net unrealized gains on investments, net of taxes, of \$141.3 million and net income to shareholders of \$87.7 million. Comprehensive income to shareholders for the first quarter of 2013 included an increase in net unrealized gains on investments, net of taxes, of \$169.6 million and net income to shareholders of \$88.9 million.

### Financial Condition

Investments, cash and cash equivalents and restricted cash and cash equivalents (invested assets) were \$17.8 billion at March 31, 2014 compared to \$17.6 billion at December 31, 2013. Net unrealized gains on investments, net of taxes, were \$1.3 billion at March 31, 2014 compared to \$1.1 billion at December 31, 2013. Equity securities were \$3.4 billion, or 19% of invested assets, at March 31, 2014 compared to \$3.3 billion, or 18% of invested assets, at December 31, 2013.

Net cash provided by operating activities was \$22.4 million for the three months ended March 31, 2014 compared to \$55.6 million for the same period of 2013. The decrease in net cash provided by operating activities was due to higher payments for income taxes, employee profit sharing and agent incentive compensation in 2014 compared to 2013. These payments were partially offset by higher cash flows from investing activities during the first quarter of 2014, primarily as a result of investment income attributable to the investment portfolio acquired through the Alterra acquisition.

Net cash provided by investing activities was \$180.4 million for the three months ended March 31, 2014 compared to net cash used by investing activities of \$341.0 million for the same period of 2013. The increase in cash provided by investing activities was due in part to a return of capital from our investment in New Point V Limited, a Bermuda-domiciled reinsurance company that offered fully-collateralized retrocessional reinsurance to the property catastrophe reinsurance market. The decrease in restricted cash of \$152.9 million for the quarter ended March 31, 2014 was primarily due to net cash paid out of escrow to acquire Abbey. Cash flow from investing activities is affected by various factors such as anticipated payment of claims, financing activity, acquisition opportunities and individual buy and sell decisions made in the normal course of our investment portfolio management.

Net cash used by financing activities was \$30.9 million for the three months ended March 31, 2014 compared to net cash provided by financing activities of \$231.2 million for the same period of 2013. On March 8, 2013, we issued \$250 million of 3.625% unsecured senior notes due March 30, 2023 and \$250 million of 5.0% unsecured senior notes due March 30, 2043. Net proceeds were approximately \$491.2 million. On February 15, 2013, we repaid our 6.80% unsecured senior notes, which had an outstanding principal balance of \$246.7 million. Cash of \$17.3 million was used to repurchase shares of our common stock during the first three months of 2014.

We seek to maintain prudent levels of liquidity and financial leverage for the protection of our policyholders, creditors and shareholders. Our target capital structure includes approximately 30% debt. Our debt to capital ratio was 25% at both March 31, 2014 and December 31, 2013. From time to time, our debt to capital ratio may increase due to

business opportunities that may be financed in the short term with debt. Alternatively, our debt to capital ratio may fall below our target capital structure, which provides us with additional borrowing capacity to respond when future opportunities arise.

We have access to various capital sources, including dividends from certain of our insurance subsidiaries, holding company invested assets, undrawn capacity under our revolving and senior credit facilities and access to the debt and equity capital markets. We believe that we have sufficient liquidity to meet our capital needs.

Our holding company had \$1.1 billion and \$1.3 billion of invested assets at March 31, 2014 and December 31, 2013, respectively. The decrease in invested assets is primarily due to the timing of intercompany settlements.

Shareholders' equity was \$6.9 billion at March 31, 2014 and \$6.7 billion at December 31, 2013. Book value per share increased to \$493.96 at March 31, 2014 from \$477.16 at December 31, 2013 primarily due to \$230.3 million of comprehensive income to shareholders for the three months ended March 31, 2014.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign currency exchange rates and commodity prices. Our consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk. Our primary market risks have been equity price risk associated with investments in equity securities, interest rate risk associated with investments in fixed maturities and foreign currency exchange rate risk associated with our international operations. Various companies within our Markel Ventures operations are subject to commodity risk; however, this risk is not material to the Company.

During the three months ended March 31, 2014, there were no material changes to the market risk components described in our Annual Report on Form 10-K for the year ended December 31, 2013.

Credit risk is the potential loss resulting from adverse changes in an issuer's ability to repay its debt obligations. General concern exists about the number of municipalities experiencing financial difficulties in light of the adverse economic conditions experienced over the past several years. We manage the exposure to credit risk in our municipal bond portfolio by investing in high quality securities and by diversifying our holdings, which are typically either general obligation or revenue bonds related to essential products and services.

We monitor our investment portfolio to ensure that credit risk does not exceed prudent levels. We have consistently invested in high credit quality, investment grade securities. Our fixed maturity portfolio has an average rating of "AA," with approximately 97% rated "A" or better by at least one nationally recognized rating organization. Our policy is to invest in investment grade securities and to minimize investments in fixed maturities that are unrated or rated below investment grade. At March 31, 2014, less than 1% of our fixed maturity portfolio was unrated or rated below investment grade. Our fixed maturity portfolio includes securities issued with financial guaranty insurance. We purchase fixed maturities based on our assessment of the credit quality of the underlying assets without regard to insurance.

Our fixed maturity portfolio includes securities issued by foreign governments. General concern exists about the financial difficulties facing certain European countries in light of the adverse economic conditions experienced over the past several years. We monitor developments in foreign countries, currencies and issuers that could pose risks to our fixed maturity portfolio, including ratings downgrades, political and financial changes and the widening of credit spreads. We believe that our fixed maturity portfolio is highly diversified and is comprised of high quality securities. During the three months ended March 31, 2014, there were no material changes in the foreign exposures included in our fixed maturity portfolio.

The estimated fair value of our investment portfolio at March 31, 2014 was \$17.8 billion, 81% of which was invested in fixed maturities, short-term investments, cash and cash equivalents and restricted cash and cash equivalents and 19% of which was invested in equity securities. At December 31, 2013, the estimated fair value of our investment portfolio was \$17.6 billion, 82% of which was invested in fixed maturities, short-term investments, cash and cash equivalents and restricted cash and cash equivalents and 18% of which was invested in equity securities.

Our fixed maturities, equity securities and short-term investments are recorded at fair value, which is measured based upon quoted prices in active markets, if available. We determine fair value for these investments after considering various sources of information, including information provided by a third party pricing service. The pricing service provides prices for substantially all of our fixed maturities and equity securities. In determining fair value, we generally do not adjust the prices obtained from the pricing service. We obtain an understanding of the pricing

service's valuation methodologies and related inputs, which include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, duration, credit ratings, estimated cash flows and prepayment speeds. We validate prices provided by the pricing service by reviewing prices from other pricing sources and analyzing pricing data in certain instances.



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Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15 (Disclosure Controls). This evaluation was conducted under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Our management, including the CEO and CFO, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon our controls evaluation, the CEO and CFO concluded that effective Disclosure Controls were in place to ensure that the information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

During the first quarter of 2014, we completed the transition of the investment portfolio acquired through the Alterra acquisition to our investment accounting system which allows for additional financial reporting functionality and efficiency within the Investing segment. We also completed a redesign of our general ledger accounting system that allows for new segment and divisional financial reporting functionality.

There were no other changes in our internal control over financial reporting during the first quarter of 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Safe Harbor and Cautionary Statement

This report contains statements concerning or incorporating our expectations, assumptions, plans, objectives, future financial or operating performance and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management.

There are risks and uncertainties that may cause actual results to differ materially from predicted results in forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additional factors that could cause actual results to differ from those predicted are set forth under "Risk Factors" and "Safe Harbor and Cautionary Statement" in our 2013 Annual Report on Form 10-K or are included in the items listed below:

- our anticipated premium volume is based on current knowledge and assumes no significant man-made or natural catastrophes, no significant changes in products or personnel and no adverse changes in market conditions;
- the effect of cyclical trends, including demand and pricing in the insurance and reinsurance markets;
- actions by competitors, including consolidation, and the effect of competition on market trends and pricing;
- we offer insurance and reinsurance coverage against terrorist acts in connection with some of our programs, and in other instances we are legally required to offer terrorism insurance; in both circumstances, we actively manage our exposure, but if there is a covered terrorist attack, we could sustain material losses;
- the frequency and severity of man-made and natural catastrophes (including earthquakes and weather-related catastrophes) may exceed expectations, are unpredictable and, in the case of weather-related catastrophes, may be exacerbated if, as many forecast, conditions in the oceans and atmosphere result in increased hurricane or other adverse weather-related activity;
- emerging claim and coverage issues, changing legal and social trends, and inherent uncertainties (including but not limited to those uncertainties associated with our asbestos and environmental reserves) in the loss estimation process can adversely impact the adequacy of loss reserves and the allowance for reinsurance recoverables;
- in connection with our annual detailed review of our liability for unpaid losses and loss adjustment expenses for asbestos and environmental claims (which we expect to occur in the second quarter of 2014), we may increase our reserves if, for example, we increase our estimates of the number of claims that will ultimately be closed with an indemnity payment or our expectations of the severity of known claims increases;
- reinsurance reserves are subject to greater uncertainty than insurance reserves primarily because of reliance upon the original underwriting decisions made by ceding companies and the longer lapse of time from the occurrence of loss events to their reporting to the reinsurer for ultimate resolution;
- changes in the assumptions and estimates used in establishing reserves for our life and annuity reinsurance book (which is in runoff), for example, mortality, longevity, morbidity and interest rates, could result in material increases in our estimated loss reserves for such business;
- adverse developments in insurance coverage litigation or other legal or administrative proceedings could result in material increases in our estimates of loss reserves;
- the failure of any loss limitation methods employed;
- changes in the availability, costs and quality of reinsurance coverage which may impact our ability to write certain lines of business;
- industry and economic conditions can affect the ability or willingness of reinsurers to pay balances due;
- after the commutation of ceded reinsurance contracts, any subsequent adverse development in the re-assumed loss reserves will result in a charge to earnings;
- regulatory actions can impede our ability to charge adequate rates and efficiently allocate capital;
- economic conditions, actual or potential defaults in sovereign debt obligations, volatility in interest and foreign currency exchange rates and changes in market value of concentrated investments can have a significant impact on the fair value of fixed maturities and equity securities, as well as the carrying value of other assets and liabilities, and this

impact may be heightened by market volatility;

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economic conditions; changes in government support for education, healthcare and infrastructure projects; changes in capital spending levels; changes in the housing market; and volatility in interest and foreign currency exchange rates, among other factors, may adversely affect the markets served by our Markel Ventures operations and negatively impact their revenues and profitability;

economic conditions may adversely affect access to capital and credit markets;

we have substantial investments in municipal bonds (approximately \$3.6 billion at March 31, 2014) and, although no more than 10% of our municipal bond portfolio is tied to any one state, widespread defaults could adversely affect our results of operations and financial condition;

we cannot predict the extent and duration of the current period of slow economic growth; the continuing effects of government intervention into the markets to address the financial crisis of 2008 and 2009 (including, among other things, the effects of the Dodd-Frank Wall Street Reform and Consumer Protection Act and regulations adopted thereunder); the outcome of economic and currency concerns in the Eurozone; material changes to the monetary policies of the U.S. Federal Reserve; and their combined impact on our industry, business and investment portfolio; we cannot predict the impacts that the political and civil unrest in Ukraine and related sanctions imposed on Russia by the U.S. and other Western European governments may have on our businesses and the markets they serve or that any disruption in European or worldwide economic conditions generally arising from this situation may have on our business, industry or investment portfolio;

we cannot predict the impact of the implementation of U.S. health care reform legislation and regulations under that legislation on our business;

our business is dependent upon the successful functioning and security of our computer systems; if our information technology systems fail or suffer a security breach, our business or reputation could be adversely impacted;

we have recently completed a number of acquisitions, the most significant of which was our 2013 acquisition of Alterra, and may engage in additional acquisition activity in the future, which may increase operational and control risks for a period of time;

the amount of the costs and charges related to our acquisition and integration of Alterra and related restructuring may exceed our expectations;

we may not realize the contemplated benefits, including cost savings and synergies, of our acquisitions, including those anticipated from the acquisition of Alterra and related restructuring;

any determination requiring the write-off of a significant portion of our goodwill and intangible assets, including \$295.7 million and \$207.5 million, respectively, recorded in connection with the acquisition of Alterra;

loss of services of any executive officers or other key personnel could impact our operations;

our expanding international operations expose us to increased investment, political and economic risks, including foreign currency and credit risk; and

adverse changes in our assigned financial strength or debt ratings could impact our ability to attract and retain business or obtain capital.

Our premium volume, underwriting and investment results and results from our non-insurance operations have been and will continue to be potentially materially affected by these factors. By making forward-looking statements, we do not intend to become obligated to publicly update or revise any such statements whether as a result of new information, future events or other changes. Readers are cautioned not to place undue reliance on any forward-looking statements which speak only as at their dates.

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## PART II. OTHER INFORMATION

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our common stock repurchases for the quarter ended March 31, 2014.

## Issuer Purchases of Equity Securities

Period	(a)  Total Number of Shares Purchased	(b)  Average Price Paid per Share	(c)  Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	(d)  Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
January 1, 2014 through January 31, 2014	—	—	—	\$300,000
February 1, 2014 through February 28, 2014	180	\$552.21	180	\$299,901
March 1, 2014 through March 31, 2014	21,005	\$572.91	21,005	\$287,867
Total	21,185	\$572.73	21,185	\$287,867

The Board of Directors approved the repurchase of up to \$300 million of our common stock pursuant to a share repurchase program publicly announced on November 21, 2013 (the Program). Under the Program, we may repurchase outstanding shares of our common stock from time to time, primarily through open-market transactions. The Program has no expiration date but may be terminated by the Board of Directors at any time.

## Item 6. Exhibits

See Exhibit Index for a list of exhibits filed as part of this report.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 7<sup>th</sup> day of May 2014.

Markel Corporation

By: /s/ Alan I. Kirshner  
Alan I. Kirshner  
Chairman and Chief Executive Officer

By: /s/ Anne G. Waleski  
Anne G. Waleski  
Vice President and Chief Financial  
Officer  
(Principal Financial Officer)

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Exhibit Index

Number	Description
2.1	Agreement and Plan of Merger, dated as of December 18, 2012, by and among Alterra Capital Holdings Limited, Markel Corporation and Commonwealth Merger Subsidiary Limited (2.1) <sup>a</sup>
3(i)	Amended and Restated Articles of Incorporation (3.1) <sup>b</sup>
3(ii)	Bylaws, as amended (3.1) <sup>c</sup>
4.1	Form of Amended and Restated Credit Agreement dated as of September 23, 2011 among Markel Corporation, the lenders party thereto and SunTrust Bank, as Administrative Agent (4.1) <sup>d</sup>
4.2	Form of Consent dated as of June 25, 2012 regarding Amended and Restated Credit Agreement dated as of September 23, 2011 among Markel Corporation, the lenders party thereto and SunTrust Bank, as Administrative Agent (4.2) <sup>e</sup>
4.3	Form of First Amendment to the Amended and Restated Credit Agreement dated as of February 28, 2013 among Markel Corporation, the lenders party thereto and SunTrust Bank, as Administrative Agent (4.3) <sup>f</sup>
4.4	Form of Second Amendment to the Amended and Restated Credit Agreement dated as of July 12, 2013 among Markel Corporation, the lenders party thereto and SunTrust Bank, as Administrative Agent (10.2) <sup>g</sup>
4.5	Credit Agreement, dated as of December 16, 2011, among Alterra Capital Holdings Limited, Alterra Bermuda Limited (n/k/a Markel Bermuda Limited), the lenders parties thereto and Bank of America, N.A., as Administrative Agent (4.5) <sup>h</sup>
4.6	First Amendment and Consent dated as of February 7, 2013, to the Credit Agreement among Alterra Capital Holdings Limited, Alterra Bermuda Limited (n/k/a Markel Bermuda Limited), the lenders parties thereto and Bank of America, N.A., as Administrative Agent (4.6) <sup>h</sup>
4.7	Form of Second Amendment dated as of March 14, 2014, to the Credit Agreement among Alterra Capital Holdings Limited, Alterra Bermuda Limited (n/k/a Markel Bermuda Limited), the lenders party thereto and Bank of America, N.A., as Administrative Agent*
4.8	Form of Guaranty Agreement by Markel Corporation dated March 14, 2014*
4.9	Indenture dated as of June 5, 2001, between Markel Corporation and The Chase Manhattan Bank, as Trustee (4.1) <sup>i</sup>
4.10	Form of Third Supplemental Indenture dated as of August 13, 2004 between Markel Corporation and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (4.2) <sup>j</sup>
4.11	Form of Fifth Supplemental Indenture dated as of September 22, 2009 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (4.2) <sup>k</sup>

- 4.12 Form of Sixth Supplemental Indenture dated as of June 1, 2011 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (4.2)<sup>l</sup>
- 4.13 Form of Seventh Supplemental Indenture dated as of July 2, 2012 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (4.2)<sup>m</sup>
- 4.14 Form of Eighth Supplemental Indenture dated as of March 8, 2013 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (4.2)<sup>n</sup>
- 4.15 Form of Ninth Supplemental Indenture dated as of March 8, 2013 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (4.3)<sup>n</sup>
- 4.16 Indenture dated as of September 1, 2010, among Alterra Finance LLC, Alterra Capital Holdings Limited and The Bank of New York Mellon, as Trustee (4.14)<sup>h</sup>
- 4.17 Form of First Supplemental Indenture, dated as of September 27, 2010 between Alterra Finance LLC, Alterra Capital Holdings Limited and The Bank of New York Mellon, as Trustee, including the form of the securities as Exhibit A (4.15)<sup>h</sup>



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The registrant hereby agrees to furnish to the Securities and Exchange Commission a copy of all instruments defining the rights of holders of long-term debt of the registrant's subsidiaries shown on the Consolidated Balance Sheet of the registrant at March 31, 2014 and the respective Notes thereto, included in this Quarterly Report on Form 10-Q.

- 10.1 Description of Awards Under Executive Bonus Plan and 2012 Equity Compensation Plan for 2014\*
- 31.1 Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)\*
- 31.2 Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)\*
- 32.1 Certification of Principal Executive Officer furnished Pursuant to 18 U.S.C. Section 1350\*
- 32.2 Certification of Principal Financial Officer furnished Pursuant to 18 U.S.C. Section 1350\*

- 101 The following consolidated financial statements from Markel Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 7, 2014, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Changes in Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements.\*

- a. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on December 19, 2012.
- b. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on May 13, 2011.
- c. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on November 18, 2011.
- d. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 10-Q for the quarter ended September 30, 2011.
- e. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 10-Q for the quarter ended June 30, 2012.
- f. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 10-Q for the quarter ended March 31, 2013.
- g. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on July 15, 2013.
- h. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 10-Q for the quarter ended June 30, 2013.
- i. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on June 5, 2001.
- j. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on August 11, 2004.
- k. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on September 21, 2009.
- l. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on May 31, 2011.
- m. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on June 29, 2012.
- n. Incorporated by reference from the Exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 8-K filed on March 7, 2013.

\* Filed with this report.

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