

# 2008



## TO OUR BUSINESS PARTNERS

In this year's annual report, we hope to fully communicate our 2008 results and some of our plans for 2009 and beyond. We take seriously the trust that you have placed in us, and we view this report as an integral component of the accountability we owe you. Our job is to protect and build Markel's capital over time. Unfortunately, the collapse of the financial markets in 2008 went beyond what we predicted or expected, and we did not accomplish our goal this year. In 2008, our book value per share declined 16% to \$222.20 per share. Over the past five years, book value per share increased at a 10% compound annual rate.

If we had predicted in last year's letter that the following would occur during 2008, would you have believed us?

- Insurance prices would continue to decrease and a major hurricane would hit the Houston metropolitan area. Despite this, Markel would report a 99% combined ratio for the year.

- Worldwide financial markets would implode, experiencing their worst declines since the Great Depression. Markel's equity portfolio return would be a loss of 34% with over \$400 million of realized investment losses. Despite this, Markel would outperform the S&P 500 index.

- Even with the insurance and financial market problems, Markel would end the year with low financial leverage and senior debt rating upgrades from two rating agencies. We would hold \$1.1 billion of cash and short-term investments on a consolidated basis and \$651 million of cash and investments at our holding company.

- Markel would end the year in a much stronger financial position than AIG, Citigroup and Bank of America. We did so despite the fact that these firms received hundreds of billions in federal bailouts.

How can we describe the 2008 year and what occurred in the financial markets and at Markel? More important to you, our shareholders, how do we assess our performance during 2008? Words a shareholder

<i>(in millions, except per share data)</i>	<b>2008</b>	2007	2006	2005	2004	2003	2002	2001	2000
Gross written premiums	\$ 2,213	2,359	2,536	2,401	2,518	2,572	2,218	1,774	1,132
Combined ratio	<b>99%</b>	88%	87%	101%	96%	99%	103%	124%	114%
Investment portfolio	\$ 6,908	7,788	7,535	6,588	6,317	5,350	4,314	3,591	3,136
Portfolio per share	\$703.94	782.18	753.98	672.34	641.49	543.31	438.79	365.70	427.79
Shareholders' equity	\$ 2,181	2,641	2,296	1,705	1,657	1,382	1,159	1,085	752
Book value per share	\$222.20	265.26	229.78	174.04	168.22	140.38	117.89	110.50	102.63
5-Year CAGR in book value per share <sup>(1)</sup>	<b>10%</b>	18%	16%	11%	20%	13%	13%	18%	21%

<sup>(1)</sup> CAGR—compound annual growth rate

might use include “disappointing” and “poor.” If you wanted to be more critical, you could use words like “disastrous” or “worst year ever.” While all these words could be used to sum up Markel’s 2008 results, we believe another word should also be added in the mix, “opportunity!”

To be fair, it was not a good year, and you have every right to be disappointed, but we ended 2008 prepared unlike any other time in our history to take advantage of enormous opportunities in the years ahead of us. We enter 2009 with the capital, both financial and human, to take advantage of the growing opportunities in the specialty insurance marketplace, as well as investment opportunities that will eventually emerge as financial markets heal.

## TWENTY-YEAR PERSPECTIVE

Here is an updated 20-year chart from last year’s letter. A year ago we remarked, “We present the 20-year table to remind you, and us, of the importance of maintaining a long-term perspective.” Last year was a good year. This year was not. Throughout the decades, our underlying philosophy and long-term vision remain the same. We think it is just as important to remember this in a year when things did not go as well as we would have liked.

This year’s numbers do not make for the best reading. We achieved total gross written premiums of \$2.2 billion in 2008, a decline of 6% and a level similar

to the amount of business we did in 2002. The insurance market has endured declining prices for the past several years and 2008 showed no relief. While we believe our underwriters maintained their discipline and let business leave us for cheaper rates, our overall pricing and margins diminished along with the industry. The vast majority of our business continues to earn underwriting profits; however, the margins are now too thin. The time has come to move prices up, and we have started this process.

The flat volume over the last five years contains both good and bad news. The good news is that we worked diligently to maintain our underwriting discipline despite increasingly irrational competition. We also were able to grow book value through this period even with flat top-line revenues. The bad news is that we have not had enough success finding the opportunities for profitable growth that do exist. This is not for lack of effort. Our experience tells us that we must try many new product ideas to find the few that can make a significant contribution. While we enjoyed some modest successes over the past few years with our new initiatives, none have been large enough to offset the volume we continue to lose due to market competition.

Underwriting results for 2008 reflected the competitive insurance market, as well as Hurricanes Gustav and Ike. Despite these obstacles, we finished the year with a combined ratio of 99%. Of course our

1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	20-Year CAGR <sup>(1)</sup>
595	437	423	414	402	349	313	304	406	412	44	43	22%
101%	98%	99%	100%	99%	97%	97%	97%	106%	81%	78%	84%	—
1,625	1,483	1,410	1,142	927	622	609	457	436	411	79	59	27%
290.69	268.49	257.51	209.20	170.95	115.45	112.55	84.64	81.77	77.27	14.54	11.35	23%
383	425	357	268	213	139	151	109	83	55	60	45	21%
68.59	77.02	65.18	49.16	39.37	25.71	27.83	20.24	15.59	10.27	11.69	9.22	17%
22%	23%	26%	26%	31%	17%	25%	34%	35%	—	—	—	—

goal is to earn consistent underwriting profits. We have done a good job in recent years, producing underwriting profits in five of the past six years. We barely missed in 2005 with a 101% combined ratio as a result of Hurricane Katrina. Over the past 20 years, we have produced underwriting profits in 14 out of 20 years. Our misses were primarily related to the acquisitions of Shand, Investors and Terra Nova and Hurricane Katrina. Given the current low investment returns, we need to earn combined ratios in the low 90's or better to achieve reasonable returns on capital.

Over the past five years, the compound annual growth rate of Markel's book value per share stands at 10%. By comparison, the five-year compound annual growth rate of the S&P 500 was a loss of 1.5%. Despite our relative outperformance in book value growth and the 3.4% compound annual growth in Markel's share price over this period, these results are below our goals and expectations. Consequently, as you would and should expect, your executive management team earned no bonuses this year. We have all witnessed recent examples of executive compensation excesses. At Markel, we have always tried to treat shareholders and our associates fairly.

As evidence of the long-term effectiveness of our approach, we can look to our success in growing book value with a 20-year compound annual growth rate of 17%. Our objective for 2009 is to return to historical form and build book value per share at high rates of return over long periods of time.

Inside the front cover of this year's report are our Profile and The Markel Style. Like our 20-year record, this mission statement and our value system remained consistent throughout the period. We continue to believe that these principles reflect unchanging truths, and they will lead us to success in the years to come just as they have in the past.

## REVIEW OF 2008

The best thing we can say about 2008 is that it is over. It is also a year when we learned a great deal about volatility, resilience, flexibility and margin of safety. We look forward to applying those lessons in 2009 and beyond.

### Operations

Given the difficult underwriting environment we faced in 2008, producing a 99% combined ratio for the year represents a modest success. Our results included \$95 million of losses, or almost five points on our combined ratio, from Hurricanes Ike and Gustav. We are pleased that this represents a \$20 million improvement from the loss we initially estimated on the hurricanes in our third quarter results.

Hurricane Ike was a bigger (over 500 miles wide) and more extended storm than any previous hurricane. Based on analysis of our losses from Ike and Gustav, we believe that the underwriting corrective actions that we put in place after Hurricane Katrina are working. There is still work to do, but we are pleased to have met our goal of producing an underwriting profit in a year with significant hurricane losses.

In addition to hurricanes, we continued to combat rate pressure throughout most of 2008. Fortunately, as we approached the end of the year, rates began to stabilize in many classes. However, given how far rates have fallen over the past several years, stable rates are not enough. During the fourth quarter, we instructed all of our underwriters to stop offering rate decreases, and we followed soon after with targeted rate increases for most of our lines of business. In the short run, being among the first to stand up to the need for rate increases may hurt our premium volume. This, however, is a small price to pay. Inadequate pricing will get an insurance company in trouble much faster than losing premium volume (more on this subject later).

In the United States, our operations produced good results, although they were tempered by storm losses and price deterioration. Markel Shand and Markel Essex again led the way with solid, but smaller than 2007, underwriting profits. Markel Southwest, Markel Insurance Company and Markel American also made solid contributions; however, all were impacted by the storms and soft market. Markel Underwriting Managers and Markel International reported underwriting losses for the year. At Markel Underwriting Managers, this was largely due to extreme price competition in their lines of business and the need to establish significant margins of safety as a result. At Markel International, storm losses and problems in a medical malpractice book led to an underwriting loss.

To produce a consolidated underwriting profit, we also had to overcome a few disappointments in 2008. Our team at Markel Global Marine and Energy worked extremely hard to build a franchise for us in Houston; however, we were not able to generate the critical mass necessary to sustain the operation. We made the difficult decision to close this unit at the end of the year. We also made the decision to exit medical malpractice at Markel International. This was an experiment to reproduce our profitable U.S. medical malpractice results in Europe. While we were unable to make these expansion efforts work, we will continue to look for profitable growth opportunities.

### **One Markel**

You may remember from last year's letter that we talked about our Atlas project and how we were building a roadmap for our future through it. During 2008, we continued to refine the vision for the project and renamed it One Markel. The reason for the name change was simple. While we have many goals for One Markel, the primary goal is to get closer to our customer

with the full array of Markel's product offerings. We want to be easier to do business with, find out about new business opportunities more quickly and become more efficient in providing insurance solutions to our customers. We want to give each of our customers one access point to Markel through regional teams dedicated to bringing them the right Markel products and services.

By spring 2009, we will transition our four wholesale business units to a regional structure. We have split the country into five regions: Northeast, Southeast, Midwest, Mid South and West. Each regional office will be responsible for serving all the needs of the customers located in their regions. Each regional team will have the full menu of Markel products available to serve their customers.

With our regional teams focused primarily on customer service and marketing, we have created a central product line group that has primary responsibility for underwriting guidelines, pricing and program design. The product line group's focus will be to ensure that the products needed by the regional teams' customers are available and that our regional teams have the expertise to underwrite the risk or can refer more difficult risks to our product line experts.

We have been preparing for this transition throughout 2008. We opened the Mid South regional office in Dallas, Texas in September 2008. Opening this region early gave us the opportunity to refine our plan and train our associates before rolling out One Markel to the other four regions of the country. Initial reactions from our customers in the Mid South region are very encouraging. We want to thank them for their support and patience as we worked through the details.

During 2008, almost every Markel associate was involved in moving the One Markel vision forward. Many of our underwriting and support area associates, over 40 at last count, relocated to staff the regional

offices with the right skill sets. Many associates accepted new responsibilities in the new shared services areas and many have been working to develop the new systems and processes that will support One Markel. During that time, many of them have been doing their old job, as well as their new job. We want to thank these associates for doing what it takes to make this a success for our customers and Markel.

As we worked throughout the year on the One Markel initiative, we realized that the new model would require us to lead and manage the company slightly differently. As a result, we asked several of our senior managers to take on new roles and responsibilities in the organization.

Earlier in 2008, Tony Markel announced that he wished to move out of his daily responsibilities as President, and he became Vice Chairman. He will continue to provide strategic guidance as well as serve as a member of our Board of Directors. At the same time, we promoted Paul Springman to President and Chief Operating Officer. Paul joined Markel in 1984 as an underwriter and his roles and responsibilities grew over the years. During 2009, Paul will focus primarily on the transition of Markel's wholesale units to the One Markel regional model. The five regional presidents will report directly to Paul. While he will continue to be involved in all major decisions affecting the operations, our intent is to allow him to be able to devote the majority of his time and attention to the success of One Markel.

We promoted Gerry Albanese to Chief Underwriting Officer. He will oversee all of Markel's underwriting through the newly formed product line group. Gerry is fresh off a five-year assignment as President of Markel International. Gerry joined Markel 24 years ago and he is one of our most talented underwriters and administrators. We are delighted that Gerry has taken

this crucial role, and we believe that he will ensure that our underwriting standards are enhanced in the new model.

With Gerry's return to the United States, we are also pleased to report that William Stovin has been named President of Markel International. William will partner with Jeremy Brazil to further develop our international platform. William and Jeremy have been with us for twelve and eleven years, respectively. They helped us successfully navigate the transition of Terra Nova to Markel International and are ready for this new challenge.

Britt Glisson has been named Chief Administrative Officer and will have responsibility for the new shared services units being created to support our regional underwriting offices. Britt joined Markel in 1990, and since 1996, he has been the President of Markel Insurance Company. During his Markel career, Britt played an integral role in a number of initiatives that helped Markel grow its business and operate more efficiently. He also has leadership experience both on the wholesale and retail side of our company.

We are also pleased to welcome Mike Crowley as President of our Specialty Program Division. In this role, Mike will oversee our specialty business, including Markel Insurance Company and Markel American Insurance Company. Mike has more than 30 years of extensive retail experience, and he is looking forward to joining the company side of the business. With his experience, Mike can bring an innovative perspective to Markel. He worked for HRH since 2004 and held a variety of leadership positions including President and Chief Operating Officer.

As you can see, we benefit from an extremely experienced and talented team ready to pursue the many opportunities we see in 2009 and beyond.

### Insurance Industry Pricing

For the industry as a whole, it is clear that both capital and underwriting margins are depressed. With diminished industry underwriting profits (the industry shifted to a loss in 2008), capital and balance sheet pressures from sour investment markets and increasing pressure from regulators and rating agencies seeking greater measures of solvency and financial soundness, insurance prices must increase. While there has been a delay of game as governmental actions propped up major industry competitors, this cannot go on forever. Sooner or later, the unprofitable companies in the insurance industry will run out of money to run out of. We've seen this cycle before and it will play out the same way it always does—pricing will go up.

As 2008 ended, many in the industry started talking about the need to achieve higher prices. Unfortunately, for many it was only talk. At Markel we are aggressively seeking much needed price increases. We believe these increases are needed and justified for the following reasons:

First, and maybe most obviously, prices have been coming down for several years. Prices have now reached a level where there is no room to move any lower—they must go up.

Second, the economy is in a downturn, and we have officially entered into a recession. Insurance claims always increase in difficult economic times, and we must anticipate that this trend will repeat. We must increase insurance rates as we expect claims to increase.

Third, the current economic environment has also resulted in the lowest interest rate levels seen in many, many years. We incorporate interest rates in our return on capital financial models. With lower investment returns on our “insurance float,” we must have higher prices to achieve reasonable return objectives.

Finally, and most importantly, we must increase prices to assure that we earn underwriting profits. Underwriting profits are necessary for Markel to provide our customers with the financial security they expect when they buy our insurance policies. Underwriting profits are necessary for our associates to enjoy long-term career opportunities and so that we can be a productive corporate citizen in our communities. Underwriting profits are also critical to meeting our promise to our shareholders that we will build the value of their Company.

### Investments

Today's financial markets defy description. The escalating series of bankruptcies, actual and de facto, throughout the year were unimaginable to us a year ago. Despite our lack of imagination, they happened. At the moment, recovery and prosperity seem unimaginable and distant at best. We remain optimistic though, and we suspect that we will be pleasantly surprised by the resiliency and forward progress the worldwide economy will demonstrate as we move through 2009 and beyond. We look forward to a season of pleasant surprises. It will happen, even if the timing is uncertain.

Current events remind us of the cyclicity of economic patterns and the powerlessness of authorities to prevent them. Only a few years ago, Enron and WorldCom served as poster children of cowboy capitalism and flawed regulation. Few would expect that after regulatory responses such as the Sarbanes-Oxley measures, along with fresh scars of chastened investors, that 2008 would see Fannie Mae, Freddie Mac, Bear Stearns, Wachovia, Lehman, AIG, Washington Mutual and Merrill Lynch among others, ALL failing or requiring massive government support to keep the doors open! Additionally, previous blue chip stalwarts such as Citigroup, Goldman Sachs, Morgan

Stanley and Bank of America comprise just a small portion of the list of financial institutions that required major government assistance to survive.

While we were nervous and cautious a year ago, in hindsight, we were not nervous enough. We did not anticipate the magnitude of the 2008 financial crash. We have and continue to maintain a high quality, plain vanilla fixed income portfolio. As such, we missed most of the first wave of problems as the credit markets began to deteriorate in 2007. We didn't own sub-prime mortgages or complicated structured finance instruments. We attempted, as always, to maintain a very high quality bond and equity portfolio. Despite our efforts at diligence, we did own some senior debt securities of companies from the previous list. Many of these firms did engage in what we now know were unsound and too highly-leveraged business activities. Consequently, we experienced permanent losses of capital from our debt holdings in Lehman, Washington Mutual and Fannie and Freddie. These losses made our fixed income returns lower than they should have been. Going forward, we will be more opportunistic regarding corporate bond exposures. In the past, we maintained a normal corporate bond exposure of roughly 33% of our total fixed income holdings. In the future, if corporate bond prices are attractive, we will invest in the sector. If corporate bond prices do not carry sufficient risk premiums, we will reduce our exposure to the sector significantly.

We also suffered permanent losses in our capital from the equity positions we sold in Citigroup, MBIA, LandAmerica and miscellaneous smaller holdings. Market values of just about everything except cash and treasury securities declined. We expect our mark-to-market losses to be temporary and not permanent in nature. In total, during 2008, our fixed income investments had a total return of 0.2% and our

equity securities a total return of (34%). Our entire investment portfolio posted a decline of 9.6% including the negative effects of 2.7% from foreign currency translations. In keeping with the "worst ever" records set throughout the financial world in 2008, this is the worst total return performance in the history of Market. It is the first negative return for the portfolio since 1999, a year in which the portfolio declined 1.3%. While these results are better than many, they are disappointing to us.

The crisis in the financial markets and its impact on the economy will take time to heal. 2008 marks a major turning point in global economics. For decades, consumer consumption and financial leverage increased systemically. This occurred in both the U.S. and many economies around the world. Everybody seemingly benefitted as economic activity increased. Consumers didn't really care if the money for the bigger house and the new car came from debt or equity. The house was still bigger and the car still smelled new no matter where the money came from. The businesses and people who built those houses and cars also enjoyed the good times of growing commercial and consumer activity. In addition to those tangible products such as houses and cars, the entire world of intangible activity grew as well. Financiers, advertisers, entertainers and other derivative jobs and occupations enjoyed the upswing of an apparent virtuous cycle of increasing prosperity.

This seemingly virtuous cycle of the last 20 years was financed by ever increasing amounts of debt at lower and lower interest rates. In hindsight, it created what now looks like the "mother of all bubbles." The steady increase in financial leverage now has come to an end. This will produce a period of restrained economic activity as the overall system adjusts to lower levels of debt and consumer consumption.

Along with excessive leverage, the underlying trust and confidence that modern economies need to function have been broken. Increasingly sloppy and ultimately corrupt behaviors that accompany eras of good times are now showing up in scandals such as those alleged to have been perpetrated by Bernard Madoff and others both personally and corporately. It is worth remembering as we compare our current investment environment to the dismal 1930's that we review the decade that preceded it. The 1920's were an era of excess and gaudiness that produced eerily similar consequences to those of today. Students of financial history can see parallels when studying the accounting sleight of hand behind stock options in the 1920's, financiers such as Samuel Insull and disruptive technological changes such as electrification.

While we do not expect instant healing, we fully expect that our system will recalibrate and return to forward progress. Over the next several years, it is a profoundly good bet that the world's economy will both survive and prosper. We are systemically going about the business of lowering debt levels throughout the economy and soberly resetting the moral compass of accepted business practices. We will also benefit from scientific and technological progress that will change the world for the better in ways that we can't yet even imagine.

Economic tides, like natural ones, do not stand still. While we do not expect a quick return to the boom conditions of the last two decades, neither do we expect current negative trends to persist. The conditions necessary to create the next economic expansion are underway, and we are confident that the overall economic backdrop will improve in coming years.

In 2008, our investment results were painful as we failed to avoid the price declines experienced in almost every asset class. As we mentioned earlier in this letter,

while we invested defensively starting in 2007, in hindsight, we were not defensive enough.

Specifically, we spent most of the last two years pursuing the following actions. We began reducing equity exposures from a high of over 75% of shareholders equity in December of 2006 to 49% by December of 2008. The reductions came from reinvesting less than we received as we sold equity securities over the last two years and not investing as much of our cash flow as normal into equities. The dramatic price declines in the equity market also served to reduce our exposure. That is the hard way to bring the percentage down, and we hope not to do so that way again. We are realistic enough to know that the market will do that to us from time to time in the future. We need to maintain a margin of safety that can absorb the inevitable downturns in future financial markets.

On the fixed income side, we also harvested maturities and reinvested less than sales. The objective was to increase cash and liquidity, shorten the overall duration to minimize risks from future inflation, and increase credit quality. As was the case in equities, we were directionally correct in these goals, we were just too slow in turning those goals into decisions and results. As a result of these steps, cash and short-term investments grew from \$529 million at the end of 2007 to \$1.1 billion by the end of 2008. Unlike most years in the past as well as our expectations for the future, cash was our best performing investment.

Over the years, we've been gradual when we've made investment decisions like the ones we just discussed. In large measure, we believe in gradualism because it salutes the important measure of humility that any investor should bring to the task. The future is unknowable, and all decisions are probabilistic estimates about shades of grey. We are proud of our long-term record, but we remain humble about our

abilities. We use the disciplines of time, measured steps and consistency to improve our odds of good outcomes. In retrospect, pure unadulterated panic would have been the best investment approach to take in 2008. Prospectively, while we are sure that a year will come along where panic looks good again, we don't think it is a reliable setting for the North Star on our investment compass.

## INVESTMENT ACCOUNTING COMMENTS OR "WHAT IS OTHER-THAN-TEMPORARY?"

In many respects, financial markets simply stopped functioning during 2008. In this environment, accounting rules and conventions break down and fail to function. As a result, we'd like to digress with some comments about investment accounting as practiced in 2008. Our investment accounting policy is pretty simple, or so we thought. The notes to our annual report state, "Investments are considered available-for-sale and are recorded at estimated fair value. A decline in fair value below cost that is deemed other-than-temporary is charged to earnings."

The meaning of other-than-temporary is not precise. It lies somewhere in the middle between temporary and permanent, but no one really knows, or can tell us, where. When financial markets are in chaos, quoted market prices do not necessarily represent estimated fair value. The exact same diamond can have a different value when you are purchasing it at Tiffany's to present as an engagement proposal compared to what you get for it at the pawn shop when you are trying to pay the divorce lawyer. It's the same diamond, the situation and timing are just different. What is the true value? Quoted market prices are imperfect guides to judging intrinsic value, but they normally work as a reasonable proxy and the "least worst" way to describe values. They also have the benefit of being independent

and objective, and they do indicate what something might be worth at a given point in time.

An additional problem with other-than-temporary impairment involves trying to guess how long it might take for markets to return to "normal." Of course, the correct answer is no one knows when or if they ever will return to the old "normal." This makes proving that a security in a loss position is not other-than-temporarily impaired nearly impossible. Such is the current environment.

We constantly review and monitor all of our investments. We mark all of the available-for-sale investments on our balance sheet to estimated fair value using quoted market prices when available and reflect all changes in our comprehensive income. We believe our comprehensive income, the net change in book value, is the best proxy for evaluating our financial success at Markel. The longer the time frame, the truer this statement.

It is important to point out that the meaning of the words "value" and "impairment" from an accounting viewpoint does not change our view of the meaning of the same words from an investment perspective. When we think about "value" from an investment perspective, we think of intrinsic value. While we might believe that intrinsic value represents the real "truth," it is also inevitably a personal and subjective valuation that cannot be objectively documented for financial statements. When we think about an investment being "impaired," we think some of its underlying fundamentals may have changed for the worse. Usually, a market driven decline in price is a good thing that allows us to buy more of the security at a better bargain—not an impairment. While all of our securities are available-for-sale, we usually expect to hold them for the long term, usually many years. While it might be rational to connect the timing element of

other-than-temporary impairment to our expected holding period, in today's environment, it is more important to take a conservative approach.

While we took charges to 2008 earnings for many investments due to our judgment that the estimated fair value might represent an other-than-temporary decline, that does not mean that we believe the companies underlying these investments are in any way "impaired" and it certainly does not mean prices will remain permanently below our cost. In fact, we expect that we will be increasing our investment in many of these companies in the future.

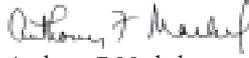
## CLOSING COMMENTS

While it might seem hard to believe right now given our disappointing 2008 performance and the drone of negative news headlines that seem to be waiting for us each day, we are optimistic about the prospects for Markel in 2009 and beyond. Clearly, 2009 will have its challenges, and we have worked hard to position your company to face those challenges. However, we believe that insurance market pricing will improve in 2009, and we know that the world economies will recover over time. Our new regional structure will move us closer to our customers and produce more business opportunities. Financial markets will heal, and we have the capital to invest as they recover. We have the right people on our team and will continue to profitably expand our presence in the specialty insurance marketplace. There is much reason for optimism, and we look forward to sharing much better results with you in next year's letter.

We thank our associates, shareholders and customers for their continued support.



Alan I. Kirshner  
*Chairman of the Board and Chief Executive Officer*



Anthony F. Markel  
*Vice Chairman*



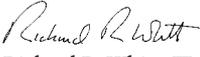
Steven A. Markel  
*Vice Chairman*



Paul W. Springman  
*President and Chief Operating Officer*



Thomas S. Gayner  
*Executive Vice President and Chief Investment Officer*



Richard R. Whitt, III  
*Senior Vice President and Chief Financial Officer*



*From left to right: Paul W. Springman, Anthony F. Markel, Thomas S. Gayner, Steven A. Markel, Alan I. Kirshner, and Richard R. Whitt, III.*