MARKEL CORP
Form 10-Q
August 04, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2008**

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

MARKEL CORPORATION

(Exact name of registrant as specified in its charter)

Virginia	**54-1959284**
(State or other jurisdiction of incorporation or organization)	**(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)

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 x 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 x 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 x

Number of shares of the registrant s common stock outstanding at August 1, 2008: 9,861,809

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	June 30, 2008	December 31, 2007
	(dollars in thousands)	
ASSETS		
Investments, available-for-sale, at estimated fair value:		
Fixed maturities (amortized cost of $5,243,076 in 2008 and $5,318,114 in 2007)	$ 5,139,980	$ 5,323,750
Equity securities (cost of $1,105,089 in 2008 and $1,263,266 in 2007)	1,450,017	1,854,062
Short-term investments (estimated fair value approximates cost)	138,126	51,552
Investments in affiliates	85,722	81,181
Total Investments	6,813,845	7,310,545
Cash and cash equivalents	682,149	477,661
Receivables	361,152	296,295
Reinsurance recoverable on unpaid losses	1,089,918	1,072,918
Reinsurance recoverable on paid losses	62,074	78,306
Deferred policy acquisition costs	212,913	202,291
Prepaid reinsurance premiums	114,054	114,711
Goodwill and intangible assets	345,767	344,911
Other assets	361,891	236,781
Total Assets	$ 10,043,763	$ 10,134,419
LIABILITIES AND SHAREHOLDERS EQUITY		
Unpaid losses and loss adjustment expenses	$ 5,652,584	$ 5,525,573
Unearned premiums	979,671	940,309
Payables to insurance companies	76,909	39,790
Senior long-term debt (estimated fair value of $593,000 in 2008 and $706,000 in 2007)	588,264	680,698
Other liabilities	257,250	306,887
Total Liabilities	7,554,678	7,493,257
Shareholders equity:		
Common stock	869,778	866,362
Retained earnings	1,491,593	1,417,269
Accumulated other comprehensive income	127,714	357,531
Total Shareholders Equity	2,489,085	2,641,162
Commitments and contingencies		
Total Liabilities and Shareholders Equity	$ 10,043,763	$ 10,134,419

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income (Loss)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands, except per share data)			
OPERATING REVENUES				
Earned premiums	$ 503,704	$ 531,165	$ 1,004,124	$ 1,062,575
Net investment income	76,521	77,167	152,533	154,549
Net realized investment gains (losses)	24,740	51,581	(31,568)	61,730
Total Operating Revenues	604,965	659,913	1,125,089	1,278,854
OPERATING EXPENSES				
Losses and loss adjustment expenses	292,689	279,087	572,833	553,822
Underwriting, acquisition and insurance expenses	186,115	192,466	365,863	379,068
Amortization of intangible assets	1,148	598	2,098	598
Total Operating Expenses	479,952	472,151	940,794	933,488
Operating Income	125,013	187,762	184,295	345,366
Interest expense	11,934	14,335	24,765	29,784
Income Before Income Taxes	113,079	173,427	159,530	315,582
Income tax expense	30,837	52,226	43,300	95,707
Net Income	$ 82,242	$ 121,201	$ 116,230	$ 219,875
OTHER COMPREHENSIVE LOSS				
Net unrealized holding losses on investments arising during the period, net of taxes	$ (163,991)	$ (19,171)	$ (251,471)	$ (32,146)
Reclassification adjustments for net gains (losses) on investments included in net income, net of taxes	(16,642)	(33,528)	20,834	(43,136)
Unrealized gains on treasury lock agreements arising during the period, net of taxes	4,884		806	
Reclassification adjustments for gains on treasury lock agreements included in net income, net of taxes	(806)		(806)	
Currency translation adjustments, net of taxes	340	1,374	267	1,661
Change in net actuarial pension loss, net of taxes	275	316	553	619
Total Other Comprehensive Loss	(175,940)	(51,009)	(229,817)	(73,002)
Comprehensive Income (Loss)	$ (93,698)	$ 70,192	$ (113,587)	$ 146,873
NET INCOME PER SHARE				
Basic	$ 8.30	$ 12.17	$ 11.71	$ 22.06
Diluted	$ 8.29	$ 12.15	$ 11.69	$ 22.02

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders Equity

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	$ 866,362	$ 854,561
Restricted stock units expensed	2,221	1,756
Cumulative effect of adoption of FASB Interpretation No. 48		2,831
Other	1,195	5,626
Balance at end of period	$ 869,778	$ 864,774
RETAINED EARNINGS		
Balance at beginning of period	$ 1,417,269	$ 1,015,679
Net income	116,230	219,875
Repurchases of common stock	(41,906)	(24,210)
Cumulative effect of adoption of FASB Interpretation No. 48		20,131
Balance at end of period	$ 1,491,593	$ 1,231,475
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Net unrealized holding gains on investments, net of taxes:		
Balance at beginning of period	$ 388,521	$ 462,482
Net unrealized losses on investments, net of taxes	(230,637)	(75,282)
Balance at end of period	157,884	387,200
Cumulative translation adjustments, net of taxes:		
Balance at beginning of period	(7,523)	(11,316)
Currency translation adjustments, net of taxes	267	1,661
Balance at end of period	(7,256)	(9,655)
Net actuarial pension loss, net of taxes:		
Balance at beginning of period	(23,467)	(25,013)
Change in net actuarial pension loss, net of taxes	553	619
Balance at end of period	(22,914)	(24,394)
Balance at end of period	$ 127,714	$ 353,151
SHAREHOLDERS EQUITY AT END OF PERIOD	$ 2,489,085	$ 2,449,400

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	2008	2007
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$ 116,230	$ 219,875
Adjustments to reconcile net income to net cash provided by operating activities	118,143	17,264
Net Cash Provided By Operating Activities	234,373	237,139
INVESTING ACTIVITIES		
Proceeds from sales of fixed maturities and equity securities	453,877	591,086
Proceeds from maturities, calls and prepayments of fixed maturities	220,032	76,267
Cost of fixed maturities and equity securities purchased	(466,196)	(766,310)
Net change in short-term investments	(86,574)	(137,950)
Cost of investments in affiliates	(5,977)	
Acquisitions, net of cash acquired	(3,050)	(8,103)
Other	(7,041)	(8,607)
Net Cash Provided (Used) By Investing Activities	105,071	(253,617)
FINANCING ACTIVITIES		
Repayment of senior long-term debt	(93,050)	
Retirement of Junior Subordinated Deferrable Interest Debentures		(111,012)
Repurchases of common stock	(41,906)	(24,210)
Net Cash Used By Financing Activities	(134,956)	(135,222)
Increase (decrease) in cash and cash equivalents	204,488	(151,700)
Cash and cash equivalents at beginning of period	477,661	555,115
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 682,149	$ 403,415

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

Markel Corporation (the Company) markets and underwrites specialty insurance products and programs to a variety of niche markets.

The consolidated balance sheet as of June 30, 2008, the related consolidated statements of income and comprehensive income (loss) for the quarters and six months ended June 30, 2008 and 2007, the consolidated statements of changes in shareholders equity and the consolidated statements of cash flows for the six months ended June 30, 2008 and 2007 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, 2007 was derived from the Company s audited annual consolidated financial statements.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (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 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 2007 Annual Report on Form 10-K for a more complete description of the Company s business and accounting policies.

Certain prior year amounts have been reclassified to conform to the current presentation.

2. Net Income per Share

Net income per share was determined by dividing net income by the applicable weighted average shares outstanding.

	Quarter Ended June 30,		**Six Months Ended June 30,**	
(in thousands, except per share amounts)	**2008**	**2007**	**2008**	**2007**
Net income as reported	$ 82,242	$ 121,201	$ 116,230	$ 219,875
Basic common shares outstanding	9,904	9,956	9,925	9,965
Dilutive potential common shares	19	18	19	18
Diluted shares outstanding	9,923	9,974	9,944	9,983
Basic net income per share	$ 8.30	$ 12.17	$ 11.71	$ 22.06
Diluted net income per share	$ 8.29	$ 12.15	$ 11.69	$ 22.02

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3. Reinsurance

The following tables summarize the effect of reinsurance on premiums written and earned.

(dollars in thousands)	Quarter Ended June 30, 2008		2007	
	Written	Earned	Written	Earned
Direct	$ 558,786	$ 529,541	$ 570,857	$ 559,419
Assumed	54,365	47,623	56,774	42,743
Ceded	(78,189)	(73,460)	(73,020)	(70,997)
Net premiums	$ 534,962	$ 503,704	$ 554,611	$ 531,165

(dollars in thousands)	Six Months Ended June 30, 2008		2007	
	Written	Earned	Written	Earned
Direct	$ 1,050,848	$ 1,050,032	$ 1,129,274	$ 1,132,095
Assumed	132,817	94,168	127,660	86,106
Ceded	(139,480)	(140,076)	(156,798)	(155,626)
Net premiums	$ 1,044,185	$ 1,004,124	$ 1,100,136	$ 1,062,575

Incurred losses and loss adjustment expenses were net of reinsurance recoverables (ceded incurred losses and loss adjustment expenses) of $60.2 million and $29.9 million, respectively, for the quarters ended June 30, 2008 and 2007 and $119.3 million and $62.4 million, respectively, for the six months ended June 30, 2008 and 2007.

4. Investments

The Company completes a detailed analysis each quarter to assess whether the decline in the value of any investment below its cost basis is deemed other-than-temporary. All securities in an unrealized loss position are reviewed. Unless other factors cause the Company to reach a contrary conclusion, investments with a fair value of less than 80% of cost for more than 180 days are deemed to have a decline in value that is other-than-temporary. A decline in value that is considered to be other-than-temporary is charged to earnings based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security.

Net realized investment gains (losses) included $20.5 million of write downs for other-than-temporary declines in the estimated fair value of investments for the quarter ended June 30, 2008. There were no write downs for other-than-temporary declines in the estimated fair value of investments for the quarter ended June 30, 2007. Net realized investment gains (losses) included $92.5 million and $3.5 million of write downs for other-than-temporary declines in the estimated fair value of investments for the six months ended June 30, 2008 and 2007, respectively.

5. Derivatives

During the first quarter of 2008, the Company entered into treasury lock agreements in order to mitigate its interest rate risk associated with the anticipated issuance of fixed-rate debt in 2008. The treasury lock agreements had an aggregate notional amount of $225.0 million and were designated as cash flow hedges. In May 2008, due to unfavorable market conditions, the Company determined it was unlikely to issue fixed-rate debt prior to the scheduled termination date of the treasury lock agreements. As a result, the Company settled

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the treasury lock agreements and received proceeds of $1.2 million, which were included in net realized investment gains (losses) as the agreements no longer qualified for hedge accounting treatment.

In 2007, the Company entered into a credit default swap, whereby third party credit risk was transferred from a counterparty to the Company in exchange for $30.0 million. The credit default swap is accounted for as a derivative instrument and is recorded at fair value. At June 30, 2008, the credit default swap had a notional amount of $50.0 million, which represents the Company s aggregate exposure to losses if specified credit events involving third parties occur, and a fair value of $37.2 million. The fair value of the credit default swap is determined by the Company using an external valuation model that is dependent upon several inputs, including changes in interest rates, credit spreads, expected default rates, changes in credit quality, future expected recovery rates and other market factors. Changes in fair value are recorded in net investment income. The fair value of the credit default swap is included in other liabilities on the consolidated balance sheet. The credit default swap has a scheduled termination date of December 2014.

The Company had no other material derivative instruments at June 30, 2008.

6. Segment Reporting Disclosures

The Company operates in three segments of the specialty insurance marketplace: the Excess and Surplus Lines, the Specialty Admitted and the London markets.

All investing activities are included in the Investing segment. For purposes of segment reporting, the Other segment includes lines of business that have been discontinued in conjunction with an acquisition.

The Company considers many factors, including the nature of the underwriting units insurance products, production sources, distribution strategies and regulatory environment in determining how to aggregate operating segments.

Segment profit or loss for each of the Company s operating 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 for the Investing segment is measured by net investment income and net realized investment gains or losses.

The Company does not allocate assets to the Excess and Surplus Lines, Specialty Admitted and London Insurance Market operating segments for management reporting purposes. Total invested assets and the related net investment income are allocated to the Investing segment since these assets are available for payment of losses and expenses for all operating segments. The Company does not allocate capital expenditures for long-lived assets to any of its operating segments for management reporting purposes.

a) The following tables summarize the Company s segment disclosures.

	Quarter Ended June 30, 2008					
(dollars in thousands)	**Excess and Surplus Lines**	**Specialty Admitted**	**London Insurance Market**	**Investing**	**Other**	**Consolidated**
Gross premium volume	$ 314,405	$ 95,631	$ 202,705	$	$ 410	$ 613,151
Net written premiums	271,613	86,668	176,348		333	534,962
Earned premiums	$ 273,566	$ 78,706	$ 151,099	$	$ 333	$ 503,704
Losses and loss adjustment expenses:						
Current year	170,864	49,191	104,412			324,467
Prior years	(17,139)	389	(14,012)		(1,016)	(31,778)
Underwriting, acquisition and insurance expenses	97,350	28,946	58,459		1,360	186,115
Underwriting profit (loss)	22,491	180	2,240		(11)	24,900
Net investment income				76,521		76,521
Net realized investment gains				24,740		24,740
Segment profit (loss)	$ 22,491	$ 180	$ 2,240	$ 101,261	$ (11)	$ 126,161
Amortization of intangible assets						1,148
Interest expense						11,934
Income before income taxes						$ 113,079
U.S. GAAP combined ratio(1)	92%	100%	99%		NM(2)	95%

	Quarter Ended June 30, 2007					
(dollars in thousands)	**Excess and Surplus Lines**	**Specialty Admitted**	**London Insurance Market**	**Investing**	**Other**	**Consolidated**
Gross premium volume	$ 339,684	$ 100,652	$ 186,873	$	$ 422	$ 627,631
Net written premiums	292,627	92,394	169,378		212	554,611
Earned premiums	$ 290,835	$ 79,643	$ 160,475	$	$ 212	$ 531,165
Losses and loss adjustment expenses:						
Current year	174,169	48,049	100,656			322,874
Prior years	(33,978)	(4,901)	(5,954)		1,046	(43,787)
Underwriting, acquisition and insurance expenses	104,794	28,984	58,632		56	192,466
Underwriting profit (loss)	45,850	7,511	7,141		(890)	59,612
Net investment income				77,167		77,167
Net realized investment gains				51,581		51,581
Segment profit (loss)	$ 45,850	$ 7,511	$ 7,141	$ 128,748	$ (890)	$ 188,360
Amortization of intangible assets						598
Interest expense						14,335

Income before income taxes					$ 173,427
U.S. GAAP combined ratio[1]	84%	91%	96%	NM[2]	89%

[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.

[2] NM Ratio is not meaningful.

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(dollars in thousands)	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Investing	Other	Consolidated
	Six Months Ended June 30, 2008					
Gross premium volume	$ 610,851	$ 167,188	$ 405,335	$	$ 291	$ 1,183,665
Net written premiums	534,932	150,635	358,606		12	1,044,185
Earned premiums	$ 550,963	$ 155,447	$ 297,702	$	$ 12	$ 1,004,124
Losses and loss adjustment expenses:						
Current year	349,125	97,507	205,333			651,965
Prior years	(47,756)	(4,513)	(29,049)		2,186	(79,132)
Underwriting, acquisition and insurance expenses	194,367	60,358	113,999		(2,861)	365,863
Underwriting profit	55,227	2,095	7,419		687	65,428
Net investment income				152,533		152,533
Net realized investment losses				(31,568)		(31,568)
Segment profit	$ 55,227	$ 2,095	$ 7,419	$ 120,965	$ 687	$ 186,393
Amortization of intangible assets						2,098
Interest expense						24,765
Income before income taxes						$ 159,530
U.S. GAAP combined ratio[1]	90%	99%	98%		NM[2]	93%

(dollars in thousands)	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Investing	Other	Consolidated
	Six Months Ended June 30, 2007					
Gross premium volume	$ 682,346	$ 172,742	$ 400,330	$	$ 1,516	$ 1,256,934
Net written premiums	584,428	160,486	353,828		1,394	1,100,136
Earned premiums	$ 583,394	$ 157,520	$ 320,267	$	$ 1,394	$ 1,062,575
Losses and loss adjustment expenses:						
Current year	342,595	95,892	199,221			637,708
Prior years	(67,888)	(7,087)	(12,554)		3,643	(83,886)
Underwriting, acquisition and insurance expenses	207,278	57,859	117,861		(3,930)	379,068
Underwriting profit	101,409	10,856	15,739		1,681	129,685
Net investment income				154,549		154,549
Net realized investment gains				61,730		61,730
Segment profit	$ 101,409	$ 10,856	$ 15,739	$ 216,279	$ 1,681	$ 345,964
Amortization of intangible assets						598
Interest expense						29,784
Income before income taxes						$ 315,582
U.S. GAAP combined ratio[1]	83%	93%	95%		NM[2]	88%

(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.

(2) NM Ratio is not meaningful.

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

(dollars in thousands)	**June 30, 2008**	**December 31, 2007**
Segment Assets:		
Investing	$ 7,495,994	$ 7,788,206
Other	2,547,769	2,346,213
Total Assets	$ 10,043,763	$ 10,134,419

7. Employee Benefit Plans

a) Expenses relating to all of the Company s defined contribution plans were $3.3 million and $6.7 million, respectively, for the quarter and six months ended June 30, 2008 and $2.9 million and $5.8 million, respectively, for the same periods in 2007.

b) The following table presents the components of net periodic benefit cost for the Terra Nova Pension Plan, a defined benefit plan.

	Quarter Ended June 30,		**Six Months Ended June 30,**	
(dollars in thousands)	**2008**	**2007**	**2008**	**2007**
Service cost	$ 519	$ 538	$ 1,041	$ 1,070
Interest cost	1,564	1,368	3,137	2,722
Expected return on plan assets	(1,928)	(1,798)	(3,864)	(3,577)
Amortization of net actuarial pension loss	428	485	856	952
Net periodic benefit cost	$ 583	$ 593	$ 1,170	$ 1,167

The Company contributed $2.4 million to the Terra Nova Pension Plan during the six months ended June 30, 2008. The Company expects plan contributions to total $3.0 million in 2008.

8. Contingencies

Contingencies arise in the normal conduct of the Company s operations and are not expected to have a material impact on the Company s financial condition or results of operations. However, adverse outcomes are possible and could negatively impact the Company s financial condition and results of operations.

9. Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (Statement) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Statement No. 159 permits entities to choose to measure specified financial instruments and certain other eligible items at fair value, with changes in fair value recognized in earnings. Statement No. 159 became effective for the Company on January 1, 2008. The Company did not elect the fair value option for assets and liabilities currently held, and therefore, the adoption of this standard did not have an impact on its financial position, results of operations or cash flows.

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10. Fair Value Measurements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. Statement No. 157 establishes a framework for measuring fair value, clarifies the definition of fair value within that framework and expands disclosure requirements regarding the use of fair value measurements. Statement No. 157 became effective for the Company on January 1, 2008. The adoption of Statement No. 157 did not have a material impact on the Company s financial position, results of operations or cash flows.

Statement No. 157 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. 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 Statement No. 157, 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. Fair value for these investments is measured based upon quoted prices in active markets, if available. Fair value is determined by the Company after considering various sources of information, including information provided by an independent pricing service. The Company analyzes the independent 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. Due to variations in trading volumes and the lack of quoted market prices for fixed maturities, 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

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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.

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 and corporate debt securities.

Derivatives. Derivatives are recorded at fair value on a recurring basis and include a credit default swap. The fair value of the credit default swap is measured by the Company using an independent pricing model. See note 5 for a discussion of the valuation model for the credit default swap, including the key inputs and assumptions to the 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.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2008, by level within the fair value hierarchy.

(dollars in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Investments available for sale:				
Fixed maturities	$	$ 5,139,980	$	$ 5,139,980
Equity securities	1,441,539	8,478		1,450,017
Short-term investments	78,990	59,136		138,126
Liabilities:				
Derivatives	$ 1,181	$	$ 37,196	$ 38,377

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

(dollars in thousands)	Derivatives
Beginning balance as of March 31, 2008	$ 43,498
Total net gains included in:	
Net income	(1,268)
Other comprehensive loss	(6,274)
Settlement of treasury lock agreements	1,240
Net transfers into (out of) Level 3	
Ending balance as of June 30, 2008	$ 37,196
Net unrealized gains included in net income for the period relating to liabilities held at June 30, 2008	$ 28 [1]

[1] Included in net investment income in the consolidated statement of income and comprehensive income (loss).

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(dollars in thousands)	**Derivatives**
Beginning balance as of January 1, 2008	$ 33,141
Total net losses included in:	
Net income	2,815
Other comprehensive loss	
Settlement of treasury lock agreements	1,240
Net transfers into (out of) Level 3	
Ending balance as of June 30, 2008	$ 37,196
Net unrealized losses included in net income for the period relating to liabilities held at June 30, 2008	$ 4,055 (1)

(1) Included in net investment income in the consolidated statement of income and comprehensive income (loss).

The Company did not have any assets or liabilities measured at fair value on a non-recurring basis during the six months ended June 30, 2008.

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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 all subsidiaries.

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 our critical accounting estimates and assumptions quarterly. These reviews include evaluating the adequacy of reserves for unpaid losses and loss adjustment expenses, the reinsurance allowance for doubtful accounts and income tax liabilities, as well as analyzing the recoverability of deferred tax assets, assessing goodwill for impairment and evaluating the investment portfolio for other-than-temporary declines in estimated fair value. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements.

Readers are urged to review our 2007 Annual Report on Form 10-K for a more complete description of our critical accounting estimates.

Our Business

We market and underwrite specialty insurance products and programs to a variety of niche markets and 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 compete in three segments of the specialty insurance marketplace: the Excess and Surplus Lines, the Specialty Admitted and the London markets. Our financial goals are to earn consistent underwriting profits and superior investment returns to build shareholder value.

Our Excess and Surplus Lines segment is comprised of four underwriting units, our Specialty Admitted segment consists of three underwriting units and our London Insurance Market segment is comprised of Markel International s operations. In 2007, our Excess and Surplus Lines segment was comprised of five underwriting units. In early 2008, it was determined that the products previously written by the Markel Re unit would be combined into two of our existing underwriting units. After all ongoing business is transferred, Markel Re s excess and umbrella program and casualty facultative placements will be written out of the Markel Brokered Excess and Surplus Lines unit, while the alternative risk transfer programs will be combined with the Markel Specialty Program Insurance unit. All business previously written by the Markel Re unit will continue to be included in the Excess and Surplus Lines segment s results.

Our Excess and Surplus Lines segment writes property and casualty insurance outside of the standard market for hard-to-place risks including catastrophe-exposed property, professional liability, products liability, general

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liability, commercial umbrella and other coverages tailored for unique exposures.

Our Specialty Admitted segment writes risks that, although unique and hard-to-place in the standard market, must remain with an admitted insurance company for marketing and regulatory reasons. Our underwriting units in this segment write specialty program insurance for well-defined niche markets and personal and commercial property and liability coverages.

We participate in the London Market through Markel International, which includes Markel Capital Limited and Markel International Insurance Company Limited, wholly-owned subsidiaries. Markel Capital Limited is the corporate capital provider for Markel Syndicate 3000 at Lloyd s, which is managed by Markel Syndicate Management Limited, a wholly-owned subsidiary. Our London Insurance Market segment writes specialty property, casualty, professional liability and marine insurance and reinsurance.

For purposes of segment reporting, the Other segment includes lines of business that have been discontinued in conjunction with an acquisition.

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. We recognize that it is difficult to grow book value consistently each year, so 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. These measures are discussed in greater detail under Results of Operations.

Results of Operations

The following table compares the components of net income.

	Quarter Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2008**	**2007**	**2008**	**2007**
Underwriting profit	$ 24,900	$ 59,612	$ 65,428	$ 129,685
Net investment income	76,521	77,167	152,533	154,549
Net realized investment gains (losses)	24,740	51,581	(31,568)	61,730
Amortization of intangible assets	(1,148)	(598)	(2,098)	(598)
Interest expense	(11,934)	(14,335)	(24,765)	(29,784)
Income tax expense	(30,837)	(52,226)	(43,300)	(95,707)
Net income	$ 82,242	$ 121,201	$ 116,230	$ 219,875

Net income for the quarter and six months ended June 30, 2008 decreased 32% and 47%, respectively, compared to the same periods of 2007. The decrease in net income for the quarter and six months ended June 30, 2008 was due in part to $20.5 million and $92.5 million, respectively, of write downs for other-than-temporary declines in the estimated fair value of investments. Net income in both periods of 2008 also decreased due to lower underwriting profits as compared to the same periods of 2007. The components of net income are discussed in further detail under Underwriting Results, Investing Results and Other Expenses.

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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.

The following table compares selected data from our underwriting operations.

	Quarter Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2008**	**2007**	**2008**	**2007**
Gross premium volume	$ 613,151	$ 627,631	$ 1,183,665	$ 1,256,934
Net written premiums	$ 534,962	$ 554,611	$ 1,044,185	$ 1,100,136
Net retention	87%	88%	88%	88%
Earned premiums	$ 503,704	$ 531,165	$ 1,004,124	$ 1,062,575
Losses and loss adjustment expenses	$ 292,689	$ 279,087	$ 572,833	$ 553,822
Underwriting, acquisition and insurance expenses	$ 186,115	$ 192,466	$ 365,863	$ 379,068
Underwriting profit	$ 24,900	$ 59,612	$ 65,428	$ 129,685
U.S. GAAP Combined Ratios[1]				
Excess and Surplus Lines	92%	84%	90%	83%
Specialty Admitted	100%	91%	99%	93%
London Insurance Market	99%	96%	98%	95%
Other	NM [2]	NM [2]	NM [2]	NM [2]
Markel Corporation (Consolidated)	95%	89%	93%	88%

[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 of 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% and 93%, respectively, for the quarter and six months ended June 30, 2008 compared to 89% and 88%, respectively, for the same periods in 2007. The combined ratio for both the quarter and six months ended June 30, 2008 increased primarily due to lower underwriting profits within the Excess and Surplus Lines segment as compared to the same periods of 2007.

The combined ratio for the Excess and Surplus Lines segment was 92% and 90%, respectively, for the quarter and six months ended June 30, 2008 compared to 84% and 83%, respectively, for the same periods in 2007. For both periods of 2008, the increase in the combined ratio was due to a higher current accident year loss ratio and lower favorable development of prior years loss reserves than in the same periods of 2007. The higher current accident year loss ratio in both periods of 2008 is primarily attributable to softening insurance market conditions, which have resulted in price deterioration across most of our product lines. The Excess and Surplus Lines segment s combined ratio for the quarter and six months ended June 30, 2008 included $17.1 million and $47.8 million, respectively, of favorable development on prior years loss reserves compared to $34.0 million and $67.9 million, respectively, for the same periods in 2007.

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The redundancies on prior years loss reserves experienced within the Excess and Surplus Lines segment during both periods of 2008 and 2007 were primarily on our professional liability programs at the Markel Shand Professional/Products Liability unit. In both periods of 2008, these prior year loss reserve redundancies have decreased from the same periods of 2007 due to the softening of the insurance market, which has resulted in a deterioration in pricing at this unit in recent years. The loss reserve redundancies experienced in both periods of 2008 and 2007 were partially offset by adverse loss reserve development at the Markel Re unit, which resulted from higher than expected average claim frequency and severity on two general liability programs within the Specialized Markel Alternative Risk Transfer (SMART) division. Both of these programs were cancelled in the first quarter of 2007.

During the second quarter of 2008, the Markel Re unit experienced $16.6 million of adverse development on prior years loss reserves, of which $12.5 million related to two general liability programs within the SMART division. This adverse development was primarily on the 2005 and 2006 accident years. Prior to 2008, the majority of the open claims on these two programs were handled by a third-party administrator that was overseen by claims personnel at the Markel Re unit. During the second half of 2007, we began to transfer the handling of open claims from the third-party administrator to the Markel Re claims department. As part of this process, we conducted reviews of all transferred claims files. This claim-by-claim review revealed that case reserve strengthening was necessary. As a result, during the second quarter of 2008, our actuaries revised their estimates of the ultimate losses on these programs and management increased prior years loss reserves accordingly.

The combined ratio for the Specialty Admitted segment was 100% and 99%, respectively, for the quarter and six months ended June 30, 2008 compared to 91% and 93%, respectively, for the same periods in 2007. For both periods of 2008, the increase in the combined ratio was due to a higher current accident year loss ratio and lower favorable development of prior years loss reserves than in the same periods of 2007. The higher current accident year loss ratio in both periods of 2008 is primarily attributable to increased loss severity at the Markel Global Marine and Energy unit. The Specialty Admitted segment s combined ratio for the second quarter of 2008 included $0.4 million of adverse development on prior years loss reserves compared to $4.9 million of favorable development on prior years loss reserves for the same period of 2007. For the six months ended June 30, 2008, the Specialty Admitted segment s combined ratio included $4.5 million of favorable development on prior years loss reserves compared to $7.1 million for the same period of 2007.

The combined ratio for the London Insurance Market segment was 99% and 98%, respectively, for the quarter and six months ended June 30, 2008 compared to 96% and 95%, respectively, for the same periods in 2007. The increase in the combined ratio in both periods of 2008 was primarily the result of a higher expense ratio due in part to lower earned premiums compared to the same periods of 2007. In both periods of 2008, a higher current accident year loss ratio more than offset greater favorable development on prior years loss reserves compared to the same periods of 2007. The higher current accident year loss ratio in 2008 was the result of softening insurance market conditions. The London Insurance Market segment s combined ratio for the quarter and six months ended June 30, 2008 included $14.0 million and $29.0 million, respectively, of favorable development on prior years loss reserves compared to $6.0 million and $12.6 million, respectively, for the same periods in 2007. The redundancies on prior years loss reserves experienced within the London Insurance Market segment during both periods of 2008 were primarily within the Professional and Financial Risks, Retail and Marine and Energy divisions at Markel International. This favorable development on prior years loss

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reserves was primarily on the 2002 to 2005 accident years and reflects improved risk selection and the favorable rates and terms associated with the London market in those years.

Premiums and Net Retentions

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

Gross Premium Volume

Quarter Ended June 30, 2008	Quarter Ended June 30, 2007	*(dollars in thousands)*	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
$ 314,405	$ 339,684	Excess and Surplus Lines	$ 610,851	$ 682,346
95,631	100,652	Specialty Admitted	167,188	172,742
202,705	186,873	London Insurance Market	405,335	400,330
410	422	Other	291	1,516
$ 613,151	$ 627,631	Total	$ 1,183,665	$ 1,256,934

Gross premium volume for the quarter and six months ended June 30, 2008 decreased 2% and 6%, respectively, compared to the same periods in 2007. The decrease in both periods of 2008 was primarily the result of increased competition across many of our product lines and our decision to exit certain alternative risk transfer programs during 2007 that were previously underwritten by the Markel Re unit.

We expect that competition in the property and casualty insurance industry will remain strong throughout 2008. We continue to see price deterioration in virtually all of our product areas as a result of intense competition, including the increased presence of standard insurance companies in our markets. 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 has declined and, if the competitive environment does not improve, could decline further in the future.

Net Written Premiums

Quarter Ended June 30, 2008	Quarter Ended June 30, 2007	*(dollars in thousands)*	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
$ 271,613	$ 292,627	Excess and Surplus Lines	$ 534,932	$ 584,428
86,668	92,394	Specialty Admitted	150,635	160,486
176,348	169,378	London Insurance Market	358,606	353,828
333	212	Other	12	1,394
$ 534,962	$ 554,611	Total	$ 1,044,185	$ 1,100,136

Net retention of gross premium volume was 87% for the second quarter of 2008 and 88% for the six months ended June 30, 2008 compared to 88% for both periods of 2007. As part of our underwriting philosophy, we seek to offer products with limits that do not require significant amounts of reinsurance. We purchase reinsurance in order to reduce our retention on individual risks and enable us to write policies with sufficient limits to meet policyholder needs.

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Earned Premiums

Quarter Ended June 30, 2008	Quarter Ended June 30, 2007	(dollars in thousands)	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
$ 273,566	$ 290,835	Excess and Surplus Lines	$ 550,963	$ 583,394
78,706	79,643	Specialty Admitted	155,447	157,520
151,099	160,475	London Insurance Market	297,702	320,267
333	212	Other	12	1,394
$ 503,704	$ 531,165	Total	$ 1,004,124	$ 1,062,575

Earned premiums for the quarter and six months ended June 30, 2008 decreased 5% and 6%, respectively, compared to the same periods in 2007. The decrease in both periods of 2008 was primarily due to lower earned premiums in the Excess and Surplus Lines and London Insurance Market segments as a result of lower gross premium volume over the last several quarters.

Investing Results

Net investment income for the second quarter of 2008 was $76.5 million compared to $77.2 million for the second quarter of 2007. Net investment income for the six months ended June 30, 2008 was $152.5 million compared to $154.5 million for the same period of 2007. Investment yields in both periods of 2008 were flat compared to both periods of 2007. For the six months ended June 30, 2008, the decrease in net investment income was primarily due to a $4.1 million change in the fair value of our credit default swap since December 31, 2007, which was partially offset by the impact of having higher average invested assets compared to the six months ended June 30, 2007.

Net realized investment gains for the second quarter of 2008 were $24.7 million compared to net realized investment gains of $51.6 million for the second quarter of 2007. For the six months ended June 30, 2008, net realized investment losses were $31.6 million compared to net realized investment gains of $61.7 million for the same period of 2007. Variability in the timing of realized and unrealized investment gains and losses is to be expected.

Net realized investment gains for the second quarter of 2008 included $20.5 million of write downs for other-than-temporary declines in the estimated fair value of investments. Included in the writedowns for the second quarter of 2008 was a $17.0 million writedown related to one equity security that had a fair value of approximately 48% of its cost at June 30, 2008. Given the magnitude of this unrealized loss and management s belief that the security was unlikely to recover in the near term, the decline in value was deemed other-than-temporary and was charged to earnings. The remaining $3.5 million of write downs related to five equity securities that were in an unrealized loss position at June 30, 2008. We sold portions of our holdings in these five securities during the first six months of 2008. As a result, we determined that we no longer had the intent to hold these securities until they fully recovered their value.

Net realized investment gains (losses) included $92.5 million and $3.5 million of write downs for other-than-temporary declines in the estimated fair value of investments for the six months ended June 30, 2008 and 2007, respectively. Net realized investment losses for the six months ended June 30, 2008 included write downs for eleven equity securities and two fixed maturities. Approximately two-thirds of the write downs for the six months ended June 30, 2008 were due to the determination that we no longer had the intent to hold these securities until they fully recover in value as we have begun selling a portion of the securities in order to allocate

capital to other securities with greater potential for long-term investment returns. Approximately one-third of the write downs related to securities that had other indications of other-than-temporary impairment, including having fair values of less than 80% of cost for more than 180 days. The most significant impairment related to our investment in Citigroup Inc., a security that we began selling in March 2008, for which we had write downs totaling $37.6 million for the six months ended June 30, 2008.

We complete a detailed analysis each quarter to assess whether the decline in the value of any investment below its cost basis is deemed other-than-temporary. At June 30, 2008, we held securities with gross unrealized losses of $217.7 million, or less than 3% of invested assets. All securities in an unrealized loss position were reviewed, and we believe that there were no other securities with indication of declines in estimated fair value that were other-than-temporary at June 30, 2008.

Other Expenses

Interest expense for the second quarter of 2008 decreased to $11.9 million from $14.3 million in the second quarter of 2007. Interest expense for the six months ended June 30, 2008 decreased to $24.8 million from $29.8 million in the same period of 2007. For both periods of 2008, the decrease compared to the same periods of 2007 was primarily due to the maturity of our 7.00% and 7.20% unsecured senior notes in May 2008 and August 2007, respectively.

The estimated annual effective tax rate was 27% and 30% for the six months ended June 30, 2008 and 2007, respectively. For both periods, the estimated annual effective tax rate differs from the statutory tax rate of 35% primarily as a result of tax-exempt investment income. The decrease in the estimated annual effective tax rate is primarily the result of anticipating comparable levels of tax-exempt investment income, while estimating lower income before income taxes in 2008 compared to 2007.

Comprehensive Income (Loss)

Comprehensive loss was $93.7 million for the second quarter of 2008 compared to comprehensive income of $70.2 million for the same period of 2007. Comprehensive loss for the second quarter of 2008 included net unrealized losses on investments, net of taxes, of $180.6 million, partially offset by net income of $82.2 million. Comprehensive income for the second quarter of 2007 included net income of $121.2 million, which was partially offset by net unrealized losses on investments, net of taxes, of $52.7 million. For the six months ended June 30, 2008, comprehensive loss was $113.6 million compared to comprehensive income of $146.9 million for the same period in 2007. Comprehensive loss for the six months ended June 30, 2008 included net unrealized losses on investments, net of taxes, of $230.6 million, partially offset by net income of $116.2 million. Comprehensive income for the six months ended June 30, 2007 included net income of $219.9 million, partially offset by net unrealized losses on investments, net of taxes, of $75.3 million.

Financial Condition

Invested assets were $7.5 billion at June 30, 2008 compared to $7.8 billion at December 31, 2007. Net unrealized holding gains on investments, net of taxes, were $157.9 million at June 30, 2008 compared to $388.5 million at December 31, 2007. The decrease in net unrealized holding gains on investments, net of taxes, for the six months ended June 30, 2008 was primarily due to a decline in the market value of our equity portfolio, which was due in part to the ongoing disruptions in the financial markets. Equity securities and investments in

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affiliates were $1.5 billion, or 20% of invested assets, at June 30, 2008 compared to $1.9 billion, or 25% of invested assets, at December 31, 2007.

Net cash provided by operating activities was $234.4 million for the six months ended June 30, 2008 compared to $237.1 million for the same period of 2007.

Net cash used by financing activities was $135.0 million for the six months ended June 30, 2008 compared to $135.2 million for the same period of 2007. During the second quarter of 2008, we repaid $93.1 million on our 7.00% unsecured senior notes, which matured May 15, 2008. During the first quarter of 2007, we redeemed the outstanding Junior Subordinated Deferrable Interest Debentures for $111.0 million. In both 2008 and 2007, cash was used to repurchase shares of our common stock.

During the first quarter of 2008, we entered into treasury lock agreements in order to mitigate our interest rate risk associated with a potential issuance of fixed-rate debt. The treasury lock agreements had an aggregate notional amount of $225.0 million and were designated as cash flow hedges. In May 2008, due to unfavorable market conditions, we determined it was unlikely that we would issue fixed-rate debt prior to the scheduled termination date of the treasury lock agreements. As a result, we settled the treasury lock agreements and received proceeds of $1.2 million, which were included in net realized investment gains (losses) as the agreements no longer qualified for hedge accounting treatment.

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

Shareholders equity was $2.5 billion at June 30, 2008 compared to $2.6 billion at December 31, 2007. Book value per share decreased to $252.39 at June 30, 2008 from $265.26 at December 31, 2007 primarily due to $113.6 million of comprehensive loss.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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 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 are equity price risk associated with investments in equity securities, interest rate risk associated with investments in fixed maturities and foreign exchange risk for our international operations. We have no material commodity risk.

Our market risks at June 30, 2008 have not materially changed from those identified at December 31, 2007.

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 Chairman and Chief Executive Officer (CEO) and the Senior Vice President and Chief Financial Officer (CFO).

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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 have concluded that our Disclosure Controls provide reasonable assurance that the information we are required to disclose in our periodic reports is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

There were no changes in our internal control over financial reporting during the second quarter of 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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.

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 2007 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;
- we are legally required in certain instances to offer terrorism insurance and have attempted to manage our exposure; however, if there is a covered terrorist attack, we could sustain material losses;
- the impact of the events of September 11, 2001 will depend on the resolution of on-going insurance coverage litigation and arbitrations;
- the frequency and severity of catastrophic events is unpredictable and may be exacerbated if, as many forecast, conditions in the ocean and atmosphere result in increased hurricane or other adverse weather-related activity;
- 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;
- adverse developments in insurance coverage litigation could result in material increases in our estimates of loss reserves;
- the costs and availability of reinsurance may impact our ability to write certain lines of business;
- industry and economic conditions can affect the ability and/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, volatility in interest and foreign exchange rates and concentration of investments can have a significant impact on the market value of fixed maturity and equity investments as well as the carrying value of other assets and liabilities;

- loss of services of any executive officers could impact our operations; and

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

Our premium volume and underwriting and investment results 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 June 30, 2008.

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[1]	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
April 1, 2008 through April 30, 2008				$ 114,745
May 1, 2008 through May 31, 2008	80,900	$ 407.90	80,900	$ 81,746
June 1, 2008 through June 30, 2008				$ 81,746
Total	80,900	$ 407.90	80,900	$ 81,746

1 The Board of Directors approved the repurchase of up to $200 million of our common stock pursuant to a share repurchase program publicly announced on August 22, 2005 (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.

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Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting was held on May 13, 2008, in Richmond, Virginia. At the Annual Meeting, shareholders elected directors for the ensuing year, ratified the selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2008 and approved performance criteria under our Omnibus Incentive Plan. The results of the meeting were as follows:

Election of Directors	**For**	**Withheld Authority**
Alan I. Kirshner	8,861,284	190,274
Anthony F. Markel	8,861,545	190,013
Steven A. Markel	8,861,420	190,139
J. Alfred Broaddus, Jr.	8,893,070	158,488
Douglas C. Eby	8,873,377	178,181
Leslie A. Grandis	6,839,707	2,211,851
Stewart M. Kasen	8,868,058	183,500
Lemuel E. Lewis	8,794,567	256,991
Jay M. Weinberg	8,631,595	419,963

Ratification of Selection of Independent Registered Public Accounting Firm:

For	**Against**	**Abstentions**	**Broker Non-Votes**
9,029,076	17,953	4,268	303

Approval of performance criteria under our Omnibus Incentive Plan:

For	**Against**	**Abstentions**	**Broker Non-Votes**
7,367,270	281,396	48,852	1,354,083

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 4th day of August, 2008.

Markel Corporation

By /s/ Alan I. Kirshner
Alan I. Kirshner
Chairman and Chief Executive Officer
(Principal Executive Officer)

By /s/ Anthony F. Markel
Anthony F. Markel
Vice Chairman

By /s/ Steven A. Markel
Steven A. Markel
Vice Chairman

By /s/ Paul W. Springman
Paul W. Springman
President and Chief Operating Officer
(Principal Operating Officer)

By /s/ Thomas S. Gayner
Thomas S. Gayner
Executive Vice President and Chief Investment Officer

By /s/ Richard R. Whitt, III
Richard R. Whitt, III
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit Index

Number	Description
3(i)	Amended and Restated Articles of Incorporation, as amended (3(i))a
3(ii)	Bylaws, as amended (4.2)b
4(i)	Form of Credit Agreement dated August 25, 2005, among Markel Corporation, the lenders from time to time party thereto, SunTrust Bank, as Administrative Agent and Swingline Lender, Wachovia Bank, N.A., as Syndication Agent, and Barclays Bank PLC and HSBC Bank USA, N.A., as Co-Documentation Agents (4)c
4(ii)	First Amendment dated March 17, 2006, to Credit Agreement dated August 25, 2005, among Markel Corporation, the banks and financial institutions from time to time party thereto, and SunTrust Bank, as Administrative Agent and Swingline Lender (4(ii))d
	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 and subsidiaries shown on the Consolidated Balance Sheet of the registrant at June 30, 2008 and the respective Notes thereto, included in this Quarterly Report on Form 10-Q.
10.1	Form of Amended and Restated Employment Agreement with Anthony F. Markel*
10.2	Form of Amended and Restated Executive Employment Agreement with Paul W. Springman*
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*

a. 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, 2000.
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 August 20, 2007.
c. 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, 2005.
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 March 31, 2006.
* Filed with this report.