MARKEL CORP
Form 424B3
November 08, 2001

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Subject to Completion. Dated November 7, 2001.

Prospectus Supplement to Prospectus dated October 31, 2001.

1,300,000

[MARKEL CORPORATION LOGO]

Common Shares

Markel Corporation is offering 1,200,000 of the shares to be sold in the offering. The selling shareholders identified in this prospectus supplement are offering an additional 100,000 shares. Markel will not receive any proceeds from the sale of the shares being sold by the selling shareholders.

The common shares are listed on the New York Stock Exchange under the symbol "MKL." The last reported sale price of the shares on November 6, 2001 was $195.65 per share.

See "Risk Factors" beginning on page 6 of the prospectus to read about certain factors you should consider before buying common shares.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Markel	$	$
Proceeds, before expenses, to the selling shareholders	$	$

To the extent the underwriters sell more than 1,300,000 common shares, the underwriters have the option to purchase up to an additional 135,000 shares from the selling shareholders and an additional 60,000 shares from Markel at the initial price to public, less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on November , 2001.

Goldman, Sachs & Co.
Merrill Lynch & Co.
Salomon Smith Barney
Advest, Inc.
Cochran, Caronia Securities LLC
Ferris, Baker Watts Incorporated

Prospectus Supplement dated November , 2001.

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the common shares we are offering and certain other matters relating to us and our financial condition. The second part, the prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the common shares we and the selling shareholders are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined.

You should rely only on the information contained in this document or to which this document refers you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference forward-looking statements. Forward-looking statements may be identified by the use of terms such as "believes," "expects," "estimate," "may," "intends," "plan," "will," "should" or "anticipates" or the negative thereof or similar expressions, or by discussions of strategy. We have based our forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties, and assumptions about us, including:

- uncertainties and changes in government policy, regulatory policy, statutory law or case law with respect to our companies, brokers or customers which can impede our ability to charge adequate rates and efficiently allocate capital;

- the occurrence of man-made or natural catastrophic events;

- assumptions about the impact of the events of September 11, 2001, such as the number of insureds and reinsureds affected by the events, the amount and timing of losses incurred and reported and questions of how coverage applies;

- the occurrence of significant changes in products or adverse changes in insurance and financial market conditions;

- changing legal and social trends and the inherent uncertainties of the reserving process;
- loss of the services of any of our executive officers;
- initiatives underway at Markel International to reorganize business units and to evaluate reinsurance programs and exposures that could lead to additional changes and expense;
- that Markel International will make steady progress towards underwriting profitability;
- the impact of U.S. tax laws on our foreign subsidiaries;
- changing rates of inflation and other economic conditions;
- losses due to foreign currency exchange rate fluctuations;
- ability to collect reinsurance recoverables;
- changes in the availability, cost or quality of reinsurance;
- developments in domestic and international financial markets that could affect our investment portfolios;
- changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; and

- the effects of mergers, acquisitions and divestitures.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus supplement might not occur. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as at their dates.

SUMMARY

This summary highlights information about us, the selling shareholders and the offering. Because this is a summary, it may not contain all the information you should consider before investing in our common shares. You should carefully read this entire prospectus supplement and the prospectus to which it relates. When we use the terms "Markel", "we" or "us", we are referring to Markel Corporation together with its consolidated subsidiaries, unless the context otherwise requires. Unless otherwise specified, all information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional shares.

Markel Corporation

We are a specialty property and casualty insurer. We market and underwrite specialty insurance products and programs to a variety of niche markets. In each of these markets, we seek to provide quality products and excellent customer service so that we can be a market leader. We operate in four distinct areas of the specialty insurance market:

. the excess and surplus lines market,

. the specialty admitted market,

. the London company market, and

. the Lloyd's market.

Our financial goals are to earn consistent underwriting profits and superior investment returns to build shareholder value. We are a Virginia corporation headquartered at 4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148. Our telephone number is (804) 747-0136.

On March 24, 2000, we acquired Terra Nova (Bermuda) Holdings, Ltd, which has become our international division, now known as Markel International, and our existing U.S. operations became Markel North America. All of the financial information in this prospectus includes the results of Markel International only since the date of acquisition.

Strategy

In order to meet our financial goals of consistent underwriting profits and superior investment returns to build shareholder value, we have set the following objectives in managing our business:

. To maintain a leadership position in the specialty insurance market;

By focusing on specialty markets where customers have specialized needs, we seek to add value through strong customer service and underwriting expertise. We believe this enables us to compete on a basis other than price. Markel North America was the fourth largest domestic excess and surplus writer in the United States as measured by direct premiums written during 2000.*

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* Annual Review of the Excess & Surplus Lines Industry, A.M. Best Company (2001)

We believe the acquisition of Markel International provides us with additional opportunities to grow profitably in specialty insurance markets on a worldwide basis. Markel International writes specialty property, casualty, marine and aviation insurance on a direct and reinsurance basis. Business is written worldwide with the majority coming from the United Kingdom and the United States.

. To earn consistent underwriting profits by focusing on specialty insurance and market niches where we have underwriting expertise;

We have reported underwriting profits in 12 of the last 15 full years. We believe the ability to achieve consistent underwriting profits demonstrates knowledge and expertise in our niche markets, commitment to superior customer service and the ability to manage insurance risk. In all of our markets we seek to compete by developing specialty products to meet well-defined market needs and by maintaining relationships with brokers and insureds who rely on our expertise.

. To offer a broad array of specialty products through many different methods of distribution;

Our combined operations offer over 80 different products, no one of which represents more than 7% of gross written premium. This allows us to enter and exit product lines quickly and opportunistically in order to achieve our underwriting profitability goals. We offer our products through retail agents, wholesale brokers, direct marketing and the Internet. Because of our wide range of distribution channels, we are able to choose the method of distribution that maximizes our opportunity to earn underwriting profits.

. To achieve superior investment returns;

Our five and ten-year weighted average annual return on our total portfolio at December 31, 2000, was 8.1% and 8.7%, respectively. Our five and ten-year weighted average annual return on our equity portfolio at December 31, 2000, was 16.0% and 16.8%, respectively. For the nine month period ended September 30, 2001 the total return (unannualized) on our portfolio was 7.1%. Approximately three-quarters of our investable assets come from premiums paid by policyholders. Policyholder funds are invested predominately in high quality corporate, government and municipal bonds with relatively short duration. The balance, comprised of shareholder funds, is available to be invested in equity securities, which, over the long run, have produced higher returns relative to fixed income investments. We seek to invest in companies with the potential for appreciation and hold these investments over the long term.

. To establish loss reserves which are more likely to prove redundant than deficient;

Our Markel North America operations have reported reserve redundancies for each of the past ten years. While we do not expect to report reserve redundancies in the current year we remain committed to our goal. We continually review our business and seek to assure that the reserves we provide are more likely to prove adequate to meet future exposure than to be deficient. Current loss estimates affect not only current financial results, but also influence many pricing and risk selection decisions. If we are conservative in our approach to setting current estimates, then future decisions based on those estimates should also be consistently conservative.

. To align employee interests with those of shareholders through our compensation policies;

Our executives' incentive compensation is tied to our compound growth in book value. We believe that growth in book value per share is the most comprehensive measure of success due to the fact that it includes all underwriting and investing results. A portion of the incentive compensation available to all employees is based on unit profitability and our achievement of our growth in book value goals. Moreover, our underwriters have the opportunity to receive significant cash bonuses based on underwriting results, and their underwriting results do not consider investment results. All of our North American employees receive a portion of their 401(k) contributions in the form of our

common shares. We have essentially eliminated the practice of granting stock options because we do not believe they encourage employees to act like owners. Instead, we have instituted stock purchase and unsecured loan plans with subsidized interest to encourage employee share ownership. At September 30, 2001, we estimate that at least 64% of our associates own some common shares and that total associates' ownership, including executive officers and directors, is approximately 18% of our outstanding shares.

- To build shareholder value by growing book value per share.

We assess our effectiveness in building shareholder value through the measurement of growth in book value per share. We recognize that it may be difficult to grow book value per share consistently each and every year, so we measure ourselves over longer periods of time. Our goal is to grow book value per share by an annual compound growth rate of 20% measured over a five year period. For the periods January 1, 1992 and January 1, 1997 through September 30, 2001 our book value per share has grown at a compound annual rate of 22% and 17%, respectively. As adjusted to exclude the benefit of issuing equity securities and to exclude goodwill amortization resulting from the Terra Nova transaction, our compound annual rate of growth in book value per share for these periods was 19% and 11%, respectively.

RECENT DEVELOPMENTS

Recent Results

On October 31, 2001, we reported a net loss of $10.58 and $9.85 per diluted share, respectively, for the quarter and nine month period ended September 30, 2001 compared to a net loss of $2.15 and $2.85 per diluted share, respectively, for the quarter and nine month period ended September 30, 2000. Our 2001 third quarter results reflect $75 million of estimated losses related to the terrorist attack on the World Trade Center and other related events of September 11, 2001 . In addition, we strengthened prior years' loss reserves by $68 million in the third quarter of 2001 due to approximately $39 million of loss development in Markel International's discontinued lines and approximately $29 million of loss development in New York contractors business, which our Brokered Excess and Surplus Lines unit stopped writing in January 2000. Excluding these items, our 2001 third quarter and nine month period net income was $0.65 and $1.75 per diluted share, respectively.

--Premium Analysis--
Quarter Ended September 30,

	Gross Written Premiums 2001	Gross Written Premiums 2000	Earned Premiums 2001	Earned Premiums 2000
	(dollars in thousands)			
Markel North America..................	$ 258,734	$ 196,198	$165,534	$121,425
Markel International..................	169,546	123,286	135,678	108,245
Discontinued Lines....................	16,505	4,129	26,310	23,486
Total...............................	$ 444,785	$ 323,613	$327,522	$253,156

--Premium Analysis--
Nine Months Ended September 30,

	Gross Written Premiums 2001	Gross Written Premiums 2000	Earned Premiums 2001	Earned Premiums 2000
	(dollars in thousands)			
Markel North America..................	$ 710,086	$ 520,253	$457,749	$337,835

Markel International	535,890	252,918	334,079	225,642
Discontinued Lines	33,095	45,402	75,028	91,867
Total	$ 1,279,071	$ 818,573	$866,856	$655,344

Markel North America's gross written premiums for the third quarter and nine month period increased 32 % and 36 %, respectively, due to increased submission activity and price increases across all business units. Markel International remained on target to produce approximately $650 million of gross premium volume in 2001. We anticipate that the North American and London insurance markets will continue to tighten and provide a favorable environment for our operations. We are currently obtaining significant rate increases across most programs. Discontinued Lines in 2001 consisted of discontinued Markel International programs.

	--Combined Ratio Analysis--			
	Quarter Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Markel North America	115%	98%	104%	97%
Markel International	165%	116%	135%	118%
Discontinued Lines	278%	281%	187%	168%
Consolidated	149%	123%	123%	114%

Markel North America

Markel North America's 2001 third quarter and nine month period underwriting loss was the result of approximately $29 million of loss development on New York contractors business discontinued by the Brokered Excess and Surplus Lines unit in January 2000 and due to $2.5 million of losses related to the September 11 events and Hurricane Allison. Excluding these items, Markel North America continued to produce solid underwriting profits with a combined ratio of 96% and 97%, respectively, for the third quarter and nine months ended September 30, 2001.

Since discontinuing the New York contractors program, our Brokered Excess and Surplus Lines unit has experienced adverse development in the program and as a result initiated a project to reevaluate its potential ultimate exposure. Issues involving application of statutes of limitations and the evolving and complex judicial and legislative environment in New York made the process difficult. In addition the unit brought in new claims management who, with legal and actuarial assistance, completed a review of this program during the third quarter of 2001. As a result of this review, we determined that reserves required strengthening.

September 11 Events

Our total estimated exposure to the September 11 events is $75 million, net of estimated reinsurance recoverables of approximately $250 million. Markel International's, Markel North America's and Discontinued Lines' provisions were $70.8 million, $1.5 million and $2.7 million, respectively. We used many loss estimation techniques, including detailed policy level reviews, the use of catastrophe modeling software, direct contact with insureds and brokers and sensitivity analysis to possible coverage scenarios, in order to develop our estimated exposure. We also completed a detailed review of our reinsurance recoverables related to these potential losses. Approximately 98% of the estimated reinsurance recoverables are due from reinsurers rated "A-" or better by A.M. Best or Standard and Poor's. Our gross and net loss estimates include a margin for underestimation of claims, reinsurance reinstatement premiums and potentially uncollectable reinsurance. New information concerning potential losses and coverage emerges daily. While we believe that our reserve for these events is adequate, adverse development is possible.

Markel International

Markel International's 2001 third quarter and nine month period results included $70.8 million of estimated net losses from the September 11 events. Excluding the impact of these losses, Markel International's combined ratio for the third quarter and nine month period of 2001 was 112% and 113%, respectively. Markel International's expense reductions have not kept pace with planned premium reductions. We are working to align Markel International's expenses with its premium writings. Expense reduction initiatives include the consolidation of Markel International's four syndicates at Lloyd's into one syndicate for 2002 and planned reductions of brokerage commissions. The pricing environment continues to improve in the London Market.

Discontinued Lines

The underwriting loss from Discontinued Lines increased in the third quarter and nine month periods of 2001 to $46.9 million and $65.0 million, respectively, compared to $42.5 million and $62.7 million, respectively, in 2000. The increase in the Discontinued Lines underwriting loss in both periods of 2001 was due to $39.0 million of reserve strengthening, primarily in Markel International's discontinued worldwide motor program, and losses related to the September 11 events. We discontinued the worldwide motor book of business shortly after the purchase of Markel International due to the program's poor administrative controls and inadequate pricing. During the third quarter of 2001, we obtained information from brokers and performed broker audits in order to reassess our potential exposure. Upon completion of this work, we determined that reserve strengthening was required.

We will continue to monitor claims and reinsurance experience on pre-acquisition books of business, Discontinued Lines and the recent unfavorable development at our Brokered Excess and Surplus Lines unit. We believe that reserves are adequate; however, adverse experience is possible and could result in reserve increases in the future.

Investment Income

Third quarter 2001 net investment income was $42.2 million compared to $44.1 million in the prior year. The decrease was due to lower investment yields partially offset by a larger investment portfolio. Net investment income for the nine month period rose to $127.9 million from $110.8 million in 2000. The increase was due to the acquisition of Markel International. Our equity portfolio produced a small positive return for the first nine months of 2001, in contrast to generally negative equity market returns.

Book Value

Book value per common share was $105.66 at September 30, 2001 compared to $102.63 at December 31, 2000. The increase was primarily due to the February 2001 completion of an offering of 1,288,940 common shares with net proceeds of approximately $198 million, and higher unrealized gains, partially offset by a net loss for the nine months of 2001.

Business Outlook

Markel North America's gross and net written premiums from continuing operations have increased significantly since January 2000, as reflected by the following table.

	Quarter Ended March 31		Quarter Ended June 30		Quarter Ended September 30	
	2001	2000	2001	2000	2001	2000
	(dollars in thousands)					
Gross Premium Volume....	$ 215,873	$ 148,438	$ 235,479	$ 175,617	$258,734	$196,198
Percentage Increase over comparable period......	45%		34%		32%	
Net Premium Written.....	158,359	112,404	168,989	125,131	189,795	150,685
Percentage Increase over comparable period......	41%		35%		26%	

The increase in premium volume are the result of both new business and increased rates. Our Markel Southwest Underwriters specialty unit began writing business in the second quarter of 2000.

While it is very difficult to estimate average rate increases across all our units and product lines, we believe that through the end of September 2001 our North American operations have achieved approximate average rate increases in the ranges set forth below:

Business Unit	Range of Increases
Professional/Products Liability....................................	10-15%
Essex Excess and Surplus Lines	12-17%
Brokered Excess and Surplus Lines	30-40%
Markel Southwest Underwriters	5-10%
Specialty Program Insurance	4-8%
Specialty Personal and Commercial Lines	2-5%

These estimates are approximations and are not presented as definitive statistical proof of our results but rather as evidence, along with the increases in gross and net written premiums we have reported throughout 2001, that the North American insurance marketplace was experiencing significant tightening prior to the events of September 11. Markel International has also been achieving meaningful increases in premium rates. The September 11 events have had a significant impact on the total capacity of the insurance industry and on pricing for business that we write. As a result we believe the pace of rate increases will be accelerated and extended.

As the insurance market continues to harden we expect to become even more focused on allocating our capital to those product lines which clearly produce underwriting profits. Additional capital raised from this offering will be used to support our insurance operations and allow them to continue to grow in those lines which we believe present the best opportunities for significant profitable growth.

THE OFFERING

Common shares offered	
By Markel..........................	1,200,000 common shares
By Selling Shareholders............	100,000 common shares
Common shares outstanding after this offering............................	9,819,000 common shares outstanding
Use of Proceeds......................	We will use proceeds from this offering to support expected growth in our insurance operations and for other corporate purposes. We will not receive any proceeds from the selling shareholders' sale of shares.
Risk Factors.........................	See "Risk Factors" and other information included in the prospectus for a discussion of factors you should consider before deciding to invest in common shares.
New York Stock Exchange symbol........	"MKL"

SELECTED FINANCIAL INFORMATION
(dollars in millions, except per share data)

	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2001	2000	2000(1)	1999	1998	1997	1996
	(unaudited)						
Results of Operations							

Earned premiums.........	$ 867	$ 655	$ 939	$ 437	$ 333	$ 333	$ 307
Net investment income...	128	111	154	88	71	69	51
Total operating revenues..............	1,011	763	1,094	524	426	419	367
Net income (loss).......	(82)	(19)	(28)	41	57	50	47
Comprehensive income (loss)................	(42)	21	81	(40)	68	92	56
Financial Position							
Total investments and cash..................	$ 3,299	$ 2,974	$ 3,136	$ 1,625	$ 1,483	$ 1,410	$ 1,142
Total assets...........	6,172	5,279	5,473	2,455	1,921	1,870	1,605
Unpaid losses and loss adjustment expenses....	3,602	2,809	3,037	1,344	934	971	936
Convertible Notes Payable...............	115	--	--	--	--	--	--
Long-term debt..........	277	575	573	168	93	93	115
8.71% Capital Securities............	150	150	150	150	150	150	--
Shareholders' equity....	911	691	752	383	425	357	268
Other Operating Data Per Diluted Share(2)							
Core operations.........	$ (8.71)	$ (1.61)	$ (2.31)	$ 8.17	$ 8.10	$ 7.43	$ 6.03
Net realized gains (losses)..............	1.27	(0.33)	0.14	(0.10)	2.37	1.82	0.58
Nonrecurring items......	--	1.18	1.16	--	--	--	2.05
Amortization expense....	(2.41)	(2.09)	(2.98)	(0.87)	(0.30)	(0.33)	(0.36)
Net income (loss).......	$ (9.85)	$ (2.85)	$ (3.99)	$ 7.20	$ 10.17	$ 8.92	$ 8.30
Per Share Data							
Common shares outstanding (in thousands)............	8,619	7,324	7,331	5,590	5,522	5,474	5,458
Total investments and cash..................	$ 382.70	$ 406.04	$427.79	$290.69	$268.49	$257.51	$209.20
Book value.............	$ 105.66	$ 94.32	$102.63	$ 68.59	$ 77.02	$ 65.18	$ 49.16
Growth in book value....	NA	NA	50%	(11%)	18%	33%	25%
5-Year CAGR in book value(3)..............	NA	NA	21%	22%	23%	26%	26%
Closing stock price.....	$ 195.00	$ 151.75	$181.00	$155.00	$181.00	$156.13	$ 90.00
Ratio Analysis							
GAAP combined ratio.....	123%	114%	114%	101%	98%	99%	100%
Investment yield(4).....	5%	6%	6%	5%	5%	5%	5%
Total investment return(5).............	9%	9%	12%	(2%)	7%	11%	8%
Debt to total capital (Capital securities as debt).................	37%	51%	49%	45%	36%	41%	30%
Debt to total capital(6) (Capital securities as equity)...............	27%	41%	39%	24%	14%	16%	30%

The information as of and for each of the years in the five-year period ended December 31, 2000 has been derived from and should be read in conjunction with our audited consolidated financial statements and footnotes incorporated by reference into this prospectus. The information as of and for the nine months ended September 30, 2001 and 2000 is unaudited and has been derived from our unaudited consolidated financial statements incorporated by reference into this prospectus. See "Where You Can Find More Information About Markel." Certain reclassifications of prior years' amounts have been made to conform with 2001 presentations.

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(1) On March 24, 2000, Markel acquired Terra Nova (Bermuda) Holdings, Ltd. Terra Nova's results are included only since the date of acquisition.

(2) In evaluating our operating performance, we focus on core underwriting and investing results, our core operations, before considering net gains or losses from the sale of investments, amortization expense and any nonrecurring items. These measures do not replace operating income or net income computed in accordance with generally accepted accounting principles as a measure of profitability.
(3) CAGR--compound annual growth rate.-- includes the effect of common share transactions.
(4) Investment yield reflects net investment income as a percent of average invested assets.
(5) Total investment return includes net investment income, net realized investment gains or losses and the change in market value of the investment portfolio during the period as a percent of average invested assets.
(6) The 8.71% Capital Securities contain equity-like features, including our option to defer interest payments for five years and a forty-nine year term. Due to these unique features, we consider the 8.71% Capital Securities as 100% equity for calculation purposes.

USE OF PROCEEDS

We plan to use the net proceeds from the sale of the common shares to support expected growth in our insurance operations and for general corporate purposes. We will not receive any proceeds from the selling shareholders' sale of shares.

CAPITALIZATION

The table below shows our capitalization on a consolidated basis as of September 30, 2001. The "As Adjusted" column reflects our capitalization after giving effect to this offering of common shares and the use of the net proceeds to Markel from this offering, based upon an assumed public offering price of $195.65 per share, which was the last reported sale price of our common shares on the New York Stock Exchange on November 6, 2001, assumes underwriting discounts and commissions and offering expenses of approximately $11.7 million, and assumes no exercise of the underwriters' option to purchase additional shares.

You should read this table along with our audited financial statements contained in our most recent Annual Report on Form 10-K as well as the information presented in our Quarterly Reports on Form 10-Q. See "Where You Can Find More Information About Markel."

	September 30, 2001	
	Actual	As Adjusted
	(dollars in thousands)	
Convertible Notes Payable	$ 114,656	$ 114,656
Debt	277,125	277,125
8.71% Capital Securities	150,000	150,000
Shareholders' equity:		
Common shares, no par value, 50,000,000 shares authorized, 8,619,000 shares issued and outstanding, actual; 9,819,000 shares issued and outstanding, pro forma as adjusted for this offering	910,665	1,133,758

Total capitalization	$ 1,452,446	$ 1,675,539
Ratios:		
Convertible notes payable, and debt to total capitalization	27%	23%
Convertible notes payable, debt and 8.71% Capital Securities to total capitalization	37%	32%
Book value per share	$ 105.66	$ 115.47

MARKEL CORPORATION

Business Overview

We sell 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 provide quality products and customer service so that we can be a market leader. Our financial goals are to earn consistent underwriting profits and superior investment returns to build shareholder value.

Domestically, we operate through six underwriting units focused on specific niches within the excess and surplus and specialty admitted markets. In the excess and surplus market, we write business through the following units:

. Essex Excess & Surplus Lines;

. Professional/Products Liability;

. Brokered Excess & Surplus Lines; and

. Markel Southwest Underwriters.

In the specialty admitted market, we write business through:

. Specialty Program Insurance; and

. Specialty Personal and Commercial Lines.

Markel International competes in the London insurance market, which is approximately evenly divided between the London company market and the Lloyd's market. The London insurance market is known for its ability to provide innovative, tailored coverage and capacity for unique and hard-to-place risks. It is primarily a broker market, which means that insurance brokers bring most of the risks into the market. The London insurance market is also largely a subscription market, which means that risks brought into the market are typically insured by more than one insurance company or Lloyd's syndicate, often due to the large amount of insurance coverage required on a single risk. Because of Markel's underwriting philosophy, in the future when Markel International chooses to participate in the subscription market, it expects to do so primarily in the capacity of lead underwriter.

Specialty Insurance Market

The specialty insurance market differs significantly from the standard market. In the standard market, insurance rates and forms are highly regulated, products and coverages are largely uniform with relatively predictable exposures, and companies tend to compete for customers on the basis of price.

In contrast, the specialty market provides coverage for risks that do not fit the underwriting criteria of the standard carriers. Competition tends to focus less on price and more on availability, service and other value-based considerations. While specialty market exposures may have higher insurance risks than their standard market counterparts, we manage these risks to achieve higher financial returns. To reach our financial and operational goals we must have extensive knowledge and expertise in our markets. Most of our risks are considered on an individual basis and restricted limits, deductibles, exclusions and surcharges are employed in order to respond to distinctive risk characteristics.

We operate in four distinct areas of the specialty insurance market. Markel North America operates domestically in the excess and surplus lines market and the specialty admitted market. Markel International operates in the London company market and the Lloyd's market. We are also in the process of running off discontinued lines.

Excess and Surplus Market

The excess and surplus market focuses on hard to place risks and risks that admitted insurers specifically refuse to write. Excess and surplus eligibility allows our insurance subsidiaries to underwrite nonstandard market risks with more flexible policy forms and unregulated premium rates. This typically results in coverages that are more restrictive and more expensive than the standard admitted market. In 2000, the excess and surplus market represented approximately $11.7 billion, or 3.6%, of the entire $322 billion, domestic property and casualty industry, as measured by direct premiums written.*

Markel North America is the fourth largest domestic excess and surplus writer in the United States as measured by direct premiums written.* Four of our underwriting units write in the excess and surplus market. For the nine months ended September 30, 2001 our excess and surplus units had gross premiums written of $582 million representing approximately 45% of our total gross written premium for the period.

Specialty Admitted Market

We also write business in the specialty admitted market. Most of these risks are unique and hard to place in the standard market, but for marketing and regulatory reasons, must remain with an admitted insurance company. In 2000, we estimate, the specialty admitted market represented approximately $9.6 billion, or 3%, of the entire property and casualty industry in the United States, as measured by direct premiums written. The specialty admitted market is subject to greater state regulation than the excess and surplus market, particularly with regard to rate and form filing requirements, restrictions on the ability to exit lines of business, premium tax payments and membership in various state associations, such as state guaranty funds and assigned risk plans. Two of our underwriting units write in the specialty admitted market. For the nine months ended September 30, 2001 our specialty admitted units had gross premiums written of $128 million representing approximately 10% of our total gross written premium for the period.

Lloyd's Market

We participate in the Lloyd's Market through four Lloyd's "syndicates" and our capital provider, Markel Capital Ltd. Our syndicates also offer insurance and reinsurance world-wide. In 2002 we plan to consolidate our four syndicates into one new syndicate named Markel Syndicate 3000 which will have six operating divisions: Aviation; Marine & Energy; Markel (UK) Limited; Non-Marine; Professional Liability; and Reinsurance & Accident. We believe this consolidation will strengthen operations and reduce overhead of Markel International.

The Lloyd's market has been in existence for more than 300 years but has recently undergone significant changes. For most of its existence, capital at Lloyd's was provided by individual investors or "names" who subscribed annually to provide "capacity" or capital to one or more "syndicates," which were not legal entities but only an amalgamation of the individuals participating in that syndicate. The syndicates were managed by "managing agents" who controlled all business decisions for the syndicates.

Following several years of downturns and faced with a need for new capital, Lloyd's began to allow "corporate" capital providers beginning in 1993. This source of capital has steadily grown and represented approximately 80% of total underwriting capacity in 2000.** Corporate capital providers often provide a majority or all of a syndicate's capacity and also often own or control the syndicate's managing agent. This structure now permits the capital provider to exert greater influence on, and demand greater accountability for, underwriting results. We provide all of our syndicates' capacity and will provide all of Markel Syndicate 3000's capacity for the 2002 underwriting year.

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* Annual Review of the Excess & Surplus Lines Industry, A.M. Best Company (2001).

** Rating of the Lloyd's Market, STANDARD AND POOR'S (Nov. 2000).

For the nine months ended September 30, 2001 our Lloyds' market units had gross premiums written of $408 million representing approximately 32% of our total gross written premium for the period.

London Company Market

Insurance companies based in London operate in the London company market. They offer insurance and reinsurance world-wide. One of our underwriting units, Terra Nova Insurance Company, participates in the London company market. For the nine months ended September 30, 2001 Terra Nova Insurance Company had gross premiums written of $128 million representing approximately 10% of our total gross written premium for the period.

Discontinued Lines

Discontinued lines represent lines of business acquired in the Gryphon and Terra Nova acquisitions in which we have discontinued writing business. These lines were discontinued because we believed some aspect of the product, such as risk profile or competitive environment, would not allow us to earn consistent underwriting profits.

Underwriting Philosophy

By focusing on specialty insurance and market niches where we have underwriting expertise we seek to earn consistent underwriting profits. Underwriting profits are a key component of our business strategy. We believe the ability to achieve consistent underwriting profits demonstrates knowledge and expertise in our niche markets, commitment to superior customer service and the ability to manage insurance risk.

Underwriting Results

For the year ended December 31, 2000 our combined ratio was 114%. This represents only the third time in the past fifteen years that our annual combined ratio exceeded 100%. The combined ratio measures the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums. Our 2000 underwriting losses were primarily due to underwriting losses at Markel International. When Markel International was acquired, we expected underwriting losses from programs that we planned to discontinue and from the continuing programs that we planned to reprice and reunderwrite.

Since the acquisition, we have closed four unprofitable syndicates and discontinued other unprofitable business lines within Markel International. A run-off unit has been established at Markel International to aggressively manage discontinued programs and allow the business units to focus on earning underwriting profits. Management's goal is for Markel International to achieve underwriting profitability in the future, but there can be no assurance that such progress will be made or the underwriting profitability will be achieved.

Markel North America

Excess and Surplus Market

Essex Excess & Surplus Lines

Essex Excess & Surplus Lines writes a variety of coverages, focusing on light-to-medium casualty exposures for businesses such as:

- artisan contractors,
- habitational risks,
- restaurants and bars,
- child and adult care facilities,
- vacant properties,
- office buildings, and
- light manufacturing operations.

Essex Excess & Surplus Lines also writes property insurance on classes of business ranging from small, single location risks to large, multi-state, multi-location risks. Property coverages consist principally of fire and allied lines, such as windstorm, hail and water damage, and more specialized property coverages. In addition, Essex Excess & Surplus Lines offers coverages for heavier property risks on both an excess and primary basis, including earthquake, through its special property division. These risks are typically larger and are of a low frequency/high severity nature.

Essex Excess & Surplus Lines' inland marine facility provides coverages for risks that include:

- motor truck cargo,
- logging equipment,

- warehouseman's legal liability,
- builder's risk, and
- contractor's equipment.

The ocean marine facility writes coverages for risks that include:

- marinas,
- hull coverage,
- cargo, and
- builder's risk for yacht manufacturers.

The specialty transportation division focuses on commercial vehicles such as trucks, buses, and high value automobiles. In addition, the specialty transportation division offers liability coverages for both individual and fleets of taxi-cabs and a dealer contingent liability program.

Most of Essex Excess & Surplus Lines' business is generated by approximately 175 professional surplus lines general agents who have limited quoting and binding authority. Special property, brokerage inland marine and ocean marine produce business on a brokerage basis through approximately 300 wholesale brokers. Essex Excess & Surplus Lines seeks to be a substantial underwriter for its producers in order to enhance the likelihood of receiving the most desirable underwriting opportunities. Essex Excess & Surplus Lines writes the majority of its business in Essex Insurance Company.

Professional/Products Liability

The primary focus of the Professional/Products Liability unit is tailored coverages that offer unique solutions for highly specialized professions. These include:

- medical malpractice for physicians and allied healthcare risks, and
- professional liability for lawyers, architects and engineers, insurance companies, agents and brokers, and management consultants.

Miscellaneous errors and omissions coverage is targeted to start ups, small businesses and emerging technologies. Products liability insurance is also offered with a focus on newly developed business products and new technology. In addition, for-profit and not-for-profit directors and officers liability coverage, and employment practices liability coverages are offered.

The Professional/Products Liability unit was one of the first to enter the emerging employment practices liability insurance (EPLI) market. EPLI provides coverage for the defense of alleged inappropriate employment practices not typically covered under traditional business coverages. This unit also provides a full menu of loss prevention services to all customers which can be accessed by telephone, the Internet and through live seminars across the United States.

Business is written nationwide and is developed through approximately 350 wholesale brokers. The Professional/Products Liability unit writes most of its excess and surplus business in Evanston Insurance Company, which represents the majority of its business. Admitted programs for these coverages are written in Deerfield Insurance Company.

Brokered Excess & Surplus Lines

Brokered Excess & Surplus Lines is comprised of the following divisions:

- primary casualty,
- property,
- excess and umbrella, and
- environmental.

The primary casualty division's areas of expertise are hard to place, large general liability and products liability accounts. The majority of the general liability book of business is comprised of coverages for commercial and residential contractors. The division also specializes in writing manufacturing accounts with substantial products liability exposures. Examples include:

- sporting goods manufacturers,
- toy manufacturers,
- truck trailer manufacturers, and
- vitamin supply manufacturers.

The property division focuses on monoline property and package coverages for mercantile, industrial, habitational and builder's risk exposures. The excess and umbrella division provides umbrella and excess coverages primarily for small commercial insureds. The environmental division offers a complete array of environmental coverages including:

- environmental professional liability,
- contractors pollution liability, and
- site-specific environmental impairment liability.

The unit operates through approximately 100 wholesale brokers and writes the majority of its business in Evanston Insurance Company.

Markel Southwest Underwriters

On January 1, 2000, we acquired the renewal rights to the book of business previously produced by the Scottsdale, Arizona office of Acceptance Insurance Companies Inc. The purchase price consisted of offering employment to approximately 55 employees, assumption of the office lease and a small payment for furniture and fixtures. In return, we obtained the ability to quote on a book of business of approximately $100 million of which we planned to retain approximately $25 to $50 million of gross premium volume. We renamed the operation Markel Southwest Underwriters. After a short start-up period the Markel Southwest Underwriters unit began writing business in March 2000 and completed the year with gross premium volume of $28 million.

Markel Southwest Underwriters offers coverages for light to medium casualty and property exposures and are similar to those offered by Essex Excess & Surplus Lines. Markel Southwest Underwriters products have a different geographical concentration from Essex Excess & Surplus Lines and are marketed through a separate network of approximately 72 professional and surplus lines general agents. The Markel Southwest Underwriters unit writes the majority of its business in Evanston Insurance Company.

Specialty Admitted Market

Specialty Program Insurance

Specialty Program Insurance focuses on providing total insurance programs for businesses engaged in similar highly specialized activities. These activities typically do not fit the risk profiles of standard insurers, which makes complete coverage difficult to obtain from a single insurer.

The Specialty Program Insurance operation is organized into four product areas that concentrate on particular markets and customer groups. The property and casualty program division writes commercial coverages for youth and recreation oriented organizations, such as children's summer camps, conference centers and youth organizations, such as:

- YM/YWCA's,
- Boys' and Girls' Clubs,
- child care centers,
- nursery and Montessori schools,
- gymnastic schools, and
- martial arts and dance schools.

This division also writes commercial coverages for social service organizations, garages, gas stations, used car dealers and moving and storage operations. The agriculture division specializes in insurance coverages for horse-related risks, such as horse mortality coverage, and property and liability coverages for horse farms and boarding, breeding and training facilities. Liability insurance for sports organizations, and accident and medical insurance for colleges, universities and private schools are sold through the sports liability, accident and medical division. The Markel Risk Solutions facility develops customized insurance products for a variety of commercial insureds.

The majority of Specialty Program Insurance business is produced by approximately 3,500 retail insurance agents. We grant very limited underwriting authority to carefully selected agents and control agency business through regular audits and pre-approvals. Certain products and programs are also marketed directly to consumers or through wholesale producers. Specialty Program Insurance is written primarily in Markel Insurance Company.

Specialty Personal And Commercial Lines

Specialty Personal and Commercial Lines markets and underwrites its insurance products in niche markets that are generally not served by large admitted carriers. The recreational products division concentrates on watercraft, yacht, motorcycle and property coverages. The watercraft program markets personal lines insurance coverage for personal watercraft, older boats and high performance boats; while small fishing ventures and small boat rentals are the focus of the commercial marine program. The yacht program is designed for experienced owners of moderately priced yachts. The motorcycle program's target market is mature riders of high value bikes. The property program provides coverage for dwellings which do not qualify for standard homeowners coverage.

Specialty Personal and Commercial Lines products are characterized by high numbers of transactions, low average premiums and creative solutions for under-served and emerging markets. The unit distributes the watercraft, yacht and property products through wholesale and retail producers. The motorcycle program is marketed directly to the consumer, using direct mail, internet and telephone promotion as well as relationships with various motorcycle manufacturers, dealers and associations. The Specialty Personal and Commercial Lines unit writes the majority of its business in Markel American Insurance Company.

Markel International

The Lloyd's Market

Markel Capital

We participate in the Lloyd's market through our corporate capital provider, Markel Capital. For 2002 we will be operating through one syndicate named Markel Syndicate 3000. For ease of comparison we also refer to our lines of business by their current syndicate names below.

Our syndicates offer a wide range of insurance products and take an innovative, service-oriented approach to underwriting complex and unique risks. Our operating syndicates are as follows:

Professional Liability and Markel (UK) Limited (Markel Syndicate 702)

This division focuses on professional and financial risk coverages, including professional indemnity, directors and officers liability, legal expenses and crime.

The syndicate was a pioneer of the Lloyd's "Service Company" concept. Service companies operate like an insurance company, providing insureds and brokers with direct access to decision-making underwriters who understand the local market. This division has four branch offices in the United Kingdom and three branch offices in Australia.

Aviation and Marine & Energy (Marine Syndicate 1009)

The Marine & Energy division underwrites a portfolio of energy, marine liability, hull, war, specie and cargo.

The energy account includes all aspects of upstream and downstream oil and gas activities. Coverage includes, but is not limited to, property damage, business interruption and well control. The liability account is primarily energy-related, as well as covering the traditional marine book, which includes charters, protection and indemnity and pollution liabilities. The hull account covers physical damage to ocean-going tonnage, building and construction insurance, as well as coverage for high

valued yachts and mortgagees interest. The war account covers marine, aviation and political risks. Political risks provide coverage for aspects of confiscation, terrorism, war on land and elements of contract frustration. The specie account includes coverage for fine art on exhibit and in private collections, securities, bullion, precious metals, cash in transit and jewelry.

The cargo account is an international transit based book covering many types of cargo.

The Aviation division covers major non U.S. airlines and regional passenger airlines, cargo airlines, fixed wing and rotary wing operators, aviation products and ground liabilities.

UK Motor (Motor Syndicate 1228)

This division specializes in commercial fleet insurance in the United Kingdom. Beginning in 2002, we expect to offer a portion of this business through Terra Nova Insurance Company.

Non-Marine and Reinsurance & Accident (Non-Marine Syndicate 1239)

These divisions write financial institutions, accident and health, contingency and casualty lines of business. Business is written on a direct, facultative, excess of loss and proportional treaty reinsurance basis.

The financial institutions account includes fidelity bonds, computer crime, credit card fraud and cash in transit exposures. The casualty account primarily includes U.K. professional liability business. The accident and health account consists of medical expense, aviation, personal accident, and sports personal accident coverages.

The London Company Market

Terra Nova Insurance Company's business is written internationally with approximately 55% of its gross premium volume coming from the United States for the year ended December 31, 2000. Terra Nova underwrites business on both a direct and reinsurance basis, covering property, casualty, accident and health and marine risks. In addition, Terra Nova writes excess and surplus lines property and automobile physical damage coverages in the United States. Coverage is also provided for crop, boiler and machinery, credit, surety, political risk exposure, theft, fidelity and crime as well as other miscellaneous lines such as contingency.

Property treaty reinsurance includes excess of loss, stop loss, aggregate excess and proportional coverage. A significant portion of Terra Nova's excess of loss catastrophe and per risk treaty business comes from the United States and loss exposure is balanced by widely spread international property treaties.

Terra Nova's casualty account includes treaty reinsurance for errors and omissions, directors and officers, medical malpractice and general liability risks as well as excess and surplus lines liability coverages often written in conjunction with property risks. Professional groups covered include architects, engineers, accountants, lawyers and insurance intermediaries.

Terra Nova's marine book includes cargo and protection and indemnity coverages.

Reinsurance

We enter into reinsurance agreements in order to reduce our liability on individual risks and to enable us to underwrite policies with higher limits.

We attempt to minimize credit exposure to reinsurers and maintain a margin of safety through adherence to internal reinsurance guidelines. To become a reinsurance provider for us, we seek to have prospective companies generally meet the following criteria:

- maintain an A.M. Best rating of "A" (excellent),
- maintain minimum capital and surplus of $200 million or $100 million with acceptable collateral arrangements, and
- provide collateral for recoverables in excess of an individually established amount.

In addition, Markel North America's foreign reinsurers must provide collateral equal to 100% of recoverables, with the exception of reinsurers who are Lloyd's syndicates. The preceding policies are being implemented on a going forward basis at Markel International.

The following table sets forth our reinsurance recoverables at September 30, 2001.

	Markel North America	Markel International	Total
	(dollars in thousands)		
Reinsurance recoverable on unpaid losses	$420,348	$ 990,002	$1,410,350
Reinsurance recoverable on paid losses	39,508	144,190	183,698
Total	$459,856	$1,134,192	$1,594,048

Investments

Our business strategy clearly recognizes the importance of both underwriting profits and superior investment returns to build shareholder value. We rely on sound underwriting practices to produce investable funds while minimizing underwriting risk. Approximately three-quarters of our investable assets comes from premiums paid by policyholders. Policyholder funds are invested predominately in high quality corporate, government and municipal bonds with relatively short durations. The balance, comprised of shareholder funds, is available to be invested in equity securities, which, over the long run, have produced higher returns relative to fixed income investments. We seek to invest in companies with the potential for appreciation and hold these investments over the long term. We manage the investment portfolio ourselves rather than outsourcing it to third parties.

Total investment returns include items which affect net income, such as net investment income and realized gains or losses from the sales of investments, as well as items which do not affect net income, such as changes in unrealized holding gains or losses. We do not intend to lower the quality of our investment portfolio in order to enhance or maintain yields. Our focus on long-term total investment returns may result in variability in the level of realized and unrealized investment gains or losses from one period to the next.

The ultimate success of our investment strategy can be analyzed from the review of total investment returns over several years. The following table presents taxable equivalent total returns before and after the effects of foreign currency movements for the past five years:

Taxable Equivalent Total Returns

	Years Ended December 31, 1996	1997	1998	1999	2000	Nine Months Ended September 30, 2001	Weighted Average Five Year Annual Return*	Weight Averag Ten Ye Annua Return
Equities................	26.9%	31.4%	13.3%	(10.3)%	26.4%	0.0%	16.0%	16.8
Fixed maturities........	4.8%	9.2%	7.6%	0.9 %	10.5%	8.5%	7.1%	7.7
Total portfolio.........	7.5%	12.8%	8.9%	(1.3)%	12.4%	7.2%	8.4%	8.9
Total portfolio, after foreign currency effect.................	7.5%	12.8%	8.9%	(1.3)%	11.6%	7.1%	8.1%	8.7
Ending portfolio balance (in millions)..........	$1,142	$1,410	$1,483	$1,625	$3,136	$3,299		

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* five and ten year weighted average total return at December 31, 2000.

Our disciplined, value-oriented investment approach has generated solid investment results in 2001 and over a long-term as evidenced by the above table.

Our fixed maturity portfolio has an average rating of "AA," with 93% rated "A" or better by at least one nationally recognized rating organization at September 30, 2001. Our investment policy is focused on investment grade fixed maturity securities with minimal investments in fixed maturity securities that are unrated or rated below investment grade.

Associates

At September 30, 2001, we employed 1,606 persons, seven of whom were executive officers. Of that total, our Markel North American operations had 1,034 employees and Markel International had 572 employees.

As a service organization, our continued profitability and growth are dependent upon the talent and enthusiasm our associates bring to their jobs. We have structured incentive compensation plans and stock purchase plans to encourage associates to achieve corporate objectives and think and act like owners. Associates are offered many opportunities to become shareholders. Every associate eligible to participate in Markel North America's 401(k) plan receives a portion of our contribution in Markel stock and may purchase stock with their own contributions. Stock may be acquired through a payroll deduction plan, and associates have been given the opportunity to purchase stock with loans financed by us with a partially subsidized interest rate. Under our incentive compensation plans, associates may earn a meaningful bonus based on individual, operating unit and company performance. At September 30, 2001, we estimate associates' ownership, including executive officers and directors, at approximately 18% of our outstanding shares. We believe that employee stock ownership and rewarding value-added performance aligns associates' interests with the interests of non-employee shareholders.

COMMON SHARE PRICE RANGE AND DIVIDENDS

Our common shares are listed on the New York Stock Exchange under the symbol "MKL." The following table sets forth the range of the high and low sale prices, as reported on the NYSE Composite Tape, for the periods indicated:

Price Range	High	Low
1999		
First Quarter	$186.00	$160.00
Second Quarter	$193.00	$174.00
Third Quarter	$192.00	$164.00
Fourth Quarter	$182.06	$143.25
2000		
First Quarter	$171.00	$111.50
Second Quarter	$154.50	$136.00
Third Quarter	$155.50	$140.00
Fourth Quarter	$183.25	$133.50
2001		
First Quarter	$190.50	$159.75
Second Quarter	$207.47	$181.00
Third Quarter	$203.50	$162.00
Fourth Quarter (through November 6, 2001)	$213.25	$190.00

On November 6, 2001, the reported last sale price of the common shares on the NYSE was $195.65 per share.

The number of shareholders of record as of October 31, 2001 was 499.

Dividends

Our current strategy is to retain earnings, permitting us to take advantage of expansion and acquisition opportunities. Consequently, we have never paid a cash dividend on our common shares and do not anticipate doing so in the future.

SELLING SHAREHOLDERS

The following table sets forth, as of November 6, 2001, information on common share ownership by the selling shareholders.

Name of Selling Shareholder	Relationship or Position with Markel for at least the past Three Years	Common Shares Beneficially Owned Prior to Offering(1)	Common Shares Offered for Sale(2)	Common Shares to be Beneficially Owned After Offering(1)(2)	Percentage Common shares to b Owned After Offering(1)
Anthony F. Markel	President and Chief Operating Officer, Director	375,665(3)	30,000	345,665(3)	3.5

Gary L. Markel	Director	355,225(4)	30,000	325,225(3)	3.3
Steven A. Markel	Vice Chairman, Director	556,590(5)	30,000	526,590(5)	5.3
Darrell D. Martin	Executive Vice President and Chief Financial Officer, Director	59,317(6)	10,000	49,317(6)	less than

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(1) In accordance with SEC rules, beneficial ownership means shared or sole voting or investment power with respect to common shares shown in the table.

(2) In the event the underwriters exercise their option to purchase additional shares in full, Anthony F. Markel, Gary L. Markel and Steven A. Markel will each sell 75,000 shares, will beneficially own after the offering 300,665 shares, 280,225 shares, and 481,590 shares, respectively, and will beneficially own 3.04%, 2.84% and 4.87% of the outstanding common shares, respectively.

(3) Includes 57,483 shares held in Grantor Retained Annuity Trusts for which Mr. Anthony F. Markel is trustee and partial beneficiary. Includes 320,730 shares held as trustee for the benefit of Mr. Anthony F. Markel's children as to which he disclaims beneficial ownership. Includes 5,300 shares held as co-trustee with Gary Markel under trusts created under wills. Includes 2,850 shares held as trustee for the benefit of his children as to which he disclaims beneficial ownership. Includes 6,000 shares held by Mr. Markel's wife as to which shares he disclaims beneficial ownership.

(4) Includes 20,345 shares held as co-trustee with Steven A. Markel for the benefit of Mr. Anthony F. Markel's children as to which he disclaims beneficial ownership. Includes 321,230 shares held by the Markel Family Limited Partnership. Gary Markel is the sole general partner of, and holder of 99.9% of the beneficial interests in, the Markel Family Limited Partnership. Includes 5,300 shares held as co-trustee with Anthony Markel under trusts created under wills. Includes 2,850 shares held as trustee for the benefit of his child.

(5) Includes 86,726 shares held as co-trustee for the benefit of the Lewis C. Markel Residuary Trust, 24,245 shares held as co-trustee for the benefit of Mr. Kirshner's children, 20,345 shares held as co-trustee with Gary L. Markel for the benefit of Mr. Anthony F. Markel's children, 4,040 shares owned by Mr. Steven A. Markel's children and 18,000 shares held as trustee under a trust for non-employee directors under our 1989 Stock Option Plan, as to all of which shares Mr. Markel disclaims beneficial ownership. Includes 2,600 shares held by a Charitable Remainder Trust for which Mr. Markel is co-trustee and in which he and his wife retain a partial interest. Mr. Markel does not have investment discretion or voting control over any shares held in the trust and accordingly he disclaims beneficial ownership of the shares held by the trust.

(6) Includes 10,000 shares represented by options granted under our 1986 Stock Option Plan which are currently exerciseable. Includes 3,500 shares held by Mr. Martin's wife as to which shares he disclaims beneficial ownership.

Gary Markel & Associates, Inc. and Gary Markel Surplus Lines Brokerage, Inc., entities owned by Gary L. Markel, place insurance with and on behalf of Markel.

WHERE YOU CAN FIND MORE INFORMATION ABOUT MARKEL

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, which requires us to file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document that we file at the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. You may also inspect our filings at the regional offices of the SEC or over the Internet at the SEC's home page at http://www.sec.gov.

Our common shares are listed on the New York Stock Exchange under the symbol "MKL." Our reports, proxy statements and other information may also be read and copied at the New York Stock Exchange at 20 Broad Street, New York, NY 10005.

INCORPORATION OF INFORMATION WE FILE WITH THE SEC

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede this information and the information in the prospectus. We incorporate by reference the documents listed below and any future filings made by Markel Corporation with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities covered by this prospectus:

Markel Corporation, formerly Markel Holdings, Inc., SEC filings, file no. 001-15811:

1. Our Annual Report on Form 10-K for the year ended December 31, 2000;

2. Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2001, June 30, 2001, and September 30, 2001;

3. Our Current Reports on Form 8-K dated March 1, 2001, June 12, 2001, June 5, 2001, October 19, 2001, and October 31, 2001; and

4. The description of our capital stock contained in our Form 8-A filed on April 7, 2000 under Section 12(b) of the Securities Exchange Act of 1934.

Terra Nova (Bermuda) Holdings Ltd., acquired on March 24, 2000, SEC filings, file no. 1-13834:

1. Annual Report on Form 10-K for the year ended December 31, 2000.

You may request a copy of these filings at no cost, by writing or telephoning the office of Investor Relations, Markel Corporation, 4521 Highwoods Parkway, Glen Allen, Virginia 23060, telephone: (804) 747-0136, or e-mail Bruce Kay, Vice President of Investor Relations at bkay@markelcorp.com.

UNDERWRITING

Markel, the selling shareholders and the underwriters for the offering named below have entered into an underwriting agreement dated , 2001 with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Salomon Smith Barney Inc. are the representatives of the underwriters.

Underwriter	Number of Shares
Goldman, Sachs & Co.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Salomon Smith Barney Inc.	
Advest, Inc.	
Cochran, Caronia Securities LLC	
Ferris, Baker Watts, Incorporated	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below and until such option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 135,000 shares from the selling shareholders and an additional 60,000 shares from Markel to cover these sales. They may exercise this option for 30 days. If the underwriters exercise this option for less than the full amount, they will buy additional shares first from the selling shareholders and the remainder, if any, from Markel. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by Markel and the selling shareholders. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Paid by Markel		Paid by Selling Shareholders		Total	
	No Exercise	Full Exercise	No Exercise	Full Exercise	No Exercise	Full Exe
Per Share	$	$	$	$	$	$
Total	$	$	$	$	$	$

Shares sold by the underwriters to the public will initially be offered at the initial price to public set forth on the cover of this prospectus supplement. In addition to the underwriting discounts and commissions in the table above, the underwriters may receive from purchasers of the shares normal brokerage commissions in amounts agreed with such purchasers. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to per share from the initial price to public. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to per share from the initial price to public. If all the shares are not sold at the initial price to public, the representatives may change the offering price and the other selling terms.

Markel and the selling shareholders have agreed with the underwriters not to dispose of or hedge any of their common shares or securities convertible into or exchangeable for common shares during the period from the date of this prospectus supplement continuing through the date 90 days after the date of this prospectus supplement, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans.

The common shares are listed on the NYSE under the symbol "MKL."

In connection with the offering, the underwriters may purchase and sell common shares in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from Markel and the selling shareholders in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. "Naked" short sales are any sales in excess of this option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common shares while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the common shares. As a result, the price of the common shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

Markel estimates that of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $300,000.

Markel and the selling shareholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters have, from time to time, performed, and may in the future perform, certain investment banking and advisory services for us for which they have received, and may receive, customary fees and expenses.

VALIDITY OF THE COMMON SHARES

The validity of the common shares offered in this prospectus supplement will be passed on for us by McGuireWoods LLP, Richmond, Virginia. Leslie A. Grandis, a partner in McGuireWoods LLP, is Secretary and a member of the Board of Directors of our company. As of November 5, 2001, partners of McGuireWoods LLP owned 27,606 of our common shares, or less than 1% of our common shares outstanding on that date. McGuireWoods LLP will also pass on some of the legal matters for the selling shareholders. The validity of the common shares offered in this prospectus supplement will be passed upon for the underwriters by Sullivan & Cromwell, New York, New York. Sullivan & Cromwell may rely as to certain matters on the opinion of McGuireWoods LLP.

PROSPECTUS

$ 650,000,000
Markel Corporation

Common Shares, Preferred Shares, Warrants, Debt Securities,
Trust Preferred Securities and Related Guarantee and
Agreement as to Expenses and Liabilities,
Share Purchase Contracts and Share Purchase Units

From time to time, we and Markel Capital Trust II may offer and sell:

- common shares,
- preferred shares,
- warrants,
- debt securities,
- trust preferred securities and related guarantee and agreement as to expenses and liabilities,
- share purchase contracts and
- share purchase units.

We will provide specific terms of these securities in supplements to this prospectus. The terms of the securities will include the initial offering price, aggregate amount of the offering, listing on any securities exchange or quotation system, investment considerations and the agents, dealers or underwriters, if any, to be used in connection with the sale of these securities. You should read this prospectus and any supplement carefully before you invest.

In addition, up to 235,000 of our common shares may be offered by selling security holders.

Our common shares are traded on the New York Stock Exchange under the symbol "MKL."

Investing in our securities involves risks. See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 31, 2001.

MARKEL CORPORATION

General

We market and underwrite specialty insurance products and programs to a variety of niche markets. In each of these markets, we seek to provide quality products and excellent customer service so that we can be a market leader. Our financial goals are to earn consistent underwriting profits and superior investment returns to build shareholder value.

Markel North America includes the excess and surplus lines segment which is comprised of four underwriting units and the specialty admitted segment which consists of two underwriting units. The excess and surplus lines segment writes property and casualty insurance for nonstandard and hard-to-place risks. The specialty admitted segment writes risks that are unique and hard to place in the standard market but must remain with an admitted insurance company for marketing and regulatory reasons. These underwriting units write specialty program insurance for well-defined niche markets and personal and commercial property and liability coverages.

Markel International includes two segments: the London Company Market and the Lloyd's Market. The London Company Market consists of the operations of Terra Nova Insurance Company Limited. The Lloyd's Market includes Markel Capital Limited, which is the corporate capital provider for Lloyd's syndicates managed by Markel Syndicate Management Limited. Markel International's operating units write specialty property, casualty, marine and aviation insurance and reinsurance on a worldwide basis. The majority of Markel International's business comes from the United Kingdom and the United States.

We are a Virginia corporation headquartered at 4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148, telephone number (804) 747-0136.

THE CAPITAL TRUST

Markel Capital Trust II is a statutory business trust newly formed under Delaware law by us, as sponsor for the Capital Trust, and The Chase Manhattan Bank USA, National Association, as trustee. The trust agreement for the Capital Trust will be amended and restated substantially in the form filed as an exhibit to the registration statement, effective when securities of the Capital Trust are initially issued. The amended trust agreement will be qualified as an indenture under the Trust Indenture Act of 1939.

The Capital Trust exists for the exclusive purposes of

- issuing two classes of trust securities, trust preferred securities and trust common securities, which together represent undivided beneficial interests in the assets of the Capital Trust;

- investing the gross proceeds of the trust securities in our junior subordinated debt securities;

- making distributions; and

- engaging in only those other activities necessary, advisable or incidental to the purposes listed above.

The junior subordinated debt securities will be the sole assets of the Capital Trust, and our payments under the junior subordinated debt securities and the agreement as to expenses and liabilities will be the sole revenue of the Capital Trust.

No separate financial statements of the Capital Trust are included in this prospectus. We consider that these financial statements would not be material to holders of the trust preferred securities because the Capital Trust has no independent operations and the purposes of the Capital Trust are as described above. We do not expect that the Capital Trust will be filing annual, quarterly or special reports with the SEC.

The principal place of business of the Capital Trust will be c/o Markel Corporation, 4521 Highwoods Parkway, Glen Allen, Virginia 23060.

Unaudited Pro Forma Condensed Financial Information

The following unaudited pro forma condensed financial information is based on the historical consolidated statements of operations of Markel for the year ended December 31, 2000 adjusted to give effect to the March 24, 2000 acquisition of Terra Nova Bermuda Holdings Ltd. assuming the acquisition had occurred on January 1, 2000. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable.

We accounted for the acquisition of Terra Nova using the purchase method of accounting. We allocated the purchase price for the acquisition to tangible and identifiable intangible assets and liabilities based upon management estimates of their fair value with the excess of purchase price over fair value of net assets acquired allocated to goodwill and amortized over 20 years. For purposes of presenting pro forma results, we made no changes in revenues and expenses to reflect the results of any modification to operations that might have been made had the acquisition been consummated on the assumed effective date of the acquisition.

The unaudited pro forma condensed financial information does not purport to represent what Markel's results of operations would actually have been had the acquisition in fact occurred on January 1, 2000 or to project Markel's results of operations for or at any future period or date.

MARKEL CORPORATION

Pro Forma Condensed Consolidated Statement of Operations
Year Ended December 31, 2000

	Markel (historical)	Terra Nova (historical)*	Pro Forma Adjustments	Markel and Terra Nova Pro Forma
	(in thousands, except per share data) (Unaudited)			
OPERATING REVENUES				
Earned premiums...........	$ 938,543	$142,833	$ --	$1,081,376
Net investment income.....	154,186	20,177	(1,474)A	172,889
Net realized gains (losses) from investment sales....................	1,478	(3,212)	--	(1,734)
Other.....................	276	1,765	--	2,041

Total operating revenues..	1,094,483	161,563	(1,474)	1,254,572
OPERATING EXPENSES				
Losses and loss adjustment expenses................	731,531	148,119	--	879,650
Underwriting, acquisition and insurance expenses...	339,089	54,078	--	393,167
Amortization of intangible assets..................	23,321	672	4,937 B	28,930
Total operating expenses..	1,093,941	202,869	4,937	1,301,747
Operating income (loss)...	542	(41,306)	(6,411)	(47,175)
Interest expense..........	52,348	2,862	3,164 C	58,374
Loss before income taxes..	(51,806)	(44,168)	(9,575)	(105,549)
Income taxes..............	(24,214)	(21,822)	4,573 D	(41,463)
Loss from continuing operations..............	$ (27,592)	$(22,346)	$(14,148)	$ (64,086)
Loss from continuing operations per share:				
Basic....................	$ (3.99)	--	--	$ (8.78)
Diluted..................	$ (3.99)	--	--	$ (8.78)
Weighted average shares:				
Basic....................	6,920	--	--	7,302
Diluted..................	6,920	--	--	7,302

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* Represents the period from January 1, 2000 through March 23, 2000. Terra Nova was acquired by Markel Corporation on March 24, 2000 and is included in Markel's results of operations since that date.

See accompanying Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations.

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

1. Basis of presentation

On March 24, 2000, Markel acquired Terra Nova. The Unaudited Pro Forma Condensed Statement of Operations and related Notes were prepared based on consideration to each Terra Nova shareholder of $13.00 in cash, .07027 of a Markel common share and .07027 of a Markel contingent value right (CVR). Consideration exchanged consisted of the following (in thousands, except per share data):

Cash..	$356,500
Markel common shares and Markel contingent value rights issued to Terra Nova shareholders (1,769 shares at $148 00 per share and 1,769 contingent value rights at $19.00 per right)...............	295,482

Total purchase consideration	651,982
Direct costs of acquisition	6,423
Total cost of acquisition	658,405
Less: Fair value of Terra Nova net tangible and identifiable intangible assets as of purchase date	356,097
Excess of cost over fair value of net assets acquired	$302,308

The acquisition was funded as follows (in thousands):

Available cash	$117,923
Borrowings under $400 million credit facility	245,000
Markel common shares and CVRs issued to Terra Nova shareholders	295,482
Total cost of acquisition	$658,405

The accompanying Unaudited Pro Forma Condensed Consolidated Statement of Operations is provided to illustrate the effect of the acquisition on Markel and has been prepared using the purchase method of accounting. The unaudited pro forma financial statement reflects how the statement of operations for the year ended December 31, 2000 might have appeared had the acquisition of Terra Nova been consummated on January 1, 2000. Reclassifications of Terra Nova's historical financial statements have been made to conform with Markel's historical presentation.

2. Adjustments

The accompanying Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2000 reflects adjustments which are explained below and are based on assumptions made by management. These adjustments are required to give effect to matters directly attributable to the acquisition. The explanations of these adjustments are as follows:

(A) Reduction in net investment income due to net cash used in funding the transaction; the rate of return is calculated at 5%. The 5% rate of return is based on historical average yields for Markel's investment portfolio.

(B) Excess of cost over fair value of net assets acquired is amortized on a straight line basis over 20 years. The estimated life of the business acquired was determined based on the value of the Lloyd's franchise, the investment portfolio's earning power and profitable books of business acquired, as well as the capital requirements and other barriers to entering the business acquired. Effective January 1, 2002, the amortization of goodwill and intangibles with indefinite lives will cease in accordance with Financial Accounting Standards Board Statement

of Financial Accounting Standards (Statement) No. 142, Goodwill and Other Intangible Assets. Because of the extensive effort needed to comply with adopting Statement 142, it is not practicable to reasonably estimate the amount of amortization included in this Unaudited Pro Forma Statement of Operations that will not continue in future periods.

(C) Interest on borrowed funds under revolving lines of credit is assumed to be 4.50% which is calculated as LIBOR plus 1.25% as specified in the credit facility. For the year ended December 31, 2000, a change of

1/8 percent in the interest rate would result in a change in interest expense and loss from continuing operations of $0.3 million and $0.2 million before and after taxes, respectively. In addition, a fair value adjustment for Terra Nova's long term debt, based on an independent third party quote, is amortized over the remaining lives of those debt instruments.

(D) Taxes on the reduction in net investment income and increased interest expense pro forma adjustments are calculated at an assumed 35% statutory rate. In addition, as a result of the merger, Terra Nova's operations will be subject to taxation in the United States. Taxes have been recorded for Terra Nova in accordance with United States tax regulations assuming the transaction had occurred on January 1, 2000.

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RISK FACTORS

In addition to the matters addressed in the section entitled "Note On Forward-Looking Statements" and other information included or incorporated in this document, interested investors should consider the following risk factors in determining whether to purchase securities described in this prospectus.

Our Results may be Affected Because Actual Insured Losses Differ From Our Loss Reserves

Significant periods of time often elapse between the occurrence of an insured loss, the reporting of the loss to us and our payment of that loss. To recognize liabilities for unpaid losses, we establish reserves as balance sheet liabilities representing estimates of amounts needed to pay reported and unreported losses and the related loss adjustment expense. The process of estimating loss reserves is a difficult and complex exercise involving many variables and subjective judgments. As part of the reserving process, we review historical data and consider the impact of various factors such as:

- trends in claim frequency and severity,
- changes in operations,
- emerging economic and social trends,
- inflation and
- changes in the regulatory and litigation environments.

This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. There is no precise method, however, for evaluating the impact of any specific factor on the adequacy of reserves, and actual results are likely to differ from original estimates.

We may Experience Losses From Catastrophes

Because we are a property and casualty insurance company, we frequently experience losses from man-made or natural catastrophes. Catastrophes may have a material adverse effect on operations. Catastrophes include windstorms, hurricanes, earthquakes, tornadoes, hail, severe winter weather, fires and may include terrorist events such as the attacks on the World Trade Center and Pentagon on September 11, 2001. We cannot predict how severe a particular catastrophe may be until after it occurs. The extent of losses from catastrophes is a function of the total amount of losses incurred, the number of insureds affected, the frequency of the events and the severity of the particular catastrophe. Most catastrophes occur in small geographic areas. However, some catastrophes may produce significant damage in large, heavily populated areas.

We are Subject to Regulation by Insurance Regulatory Authorities which may Affect Our Ability to Implement Our Business Objectives

Our insurance subsidiaries are subject to supervision and regulation by the insurance regulatory authorities in the various jurisdictions in which they conduct business. Regulation is intended for the benefit of policyholders rather than shareholders or holders of debt securities. Insurance regulatory authorities have broad regulatory, supervisory and administrative powers relating to solvency standards, licensing, policy rates and forms and the form and content of financial reports. Regulatory actions may affect our ability to implement our business objectives. Also, payment of dividends by our insurance subsidiaries may require prior regulatory notice or approval.

Our Investment Results may be Impacted by Changes in Interest Rates, Government Monetary Policies and General Economic Conditions

We receive premiums from customers for insuring their risks. We invest these funds until they are needed to pay policyholder claims or until they are recognized as profits. Many of the policies we issue are denominated in foreign currencies. Fluctuations in the value of our investment portfolio can

occur as a result of changes in interest rates, government monetary policies and general economic conditions. Our investment results may be impacted by these factors.

Because the risk profile of the business written and the reinsurance program of recent acquisitions is different from ours, we may incur additional charges.

The risk profile of the business written and reinsurance programs of our recent acquisitions was not wholly consistent with those of our other operations. For example, Terra Nova historically wrote policies with large limits and purchased reinsurance to reduce the net retention to a smaller sum. Such reliance on reinsurance may create credit risk as a result of the reinsurer's inability or unwillingness to pay reinsurance claims when due. We have begun to implement policies to reduce this reliance on reinsurance in the future, but must still account for and collect reinsurance for business written prior to our acquisition. Deterioration in the credit quality of existing reinsurers or disputes over the terms of reinsurance could result in additional charges, which may impact our profitability.

Because loss reserves are estimates based upon historical experience and statistical data, there can be no assurances that the loss reserves for recent acquisitions are adequate and that there will not be any future impact on our financial performance.

It has long been our policy to establish loss reserves at a level that we believe is more likely to prove redundant rather than deficient. Many other companies in the insurance industry establish loss reserves that are "adequate," often defined as the mid-point of an actuarially determined range, i.e., as likely to be too little as too much. When we acquire a company, we seek to apply our policy over time to the reserving practices of the acquired company. However, because loss reserve estimates are based on historical experience and statistical analyses, we often do not have sufficient information for a period of time following the date of an acquisition to implement this policy immediately. As we continue to gather information and obtain additional experience, we can better implement our approach and, depending on the relevant experience, this may result in additional charges to strengthen reserves.

Note On Forward-Looking Statements

This prospectus contains or incorporates by reference forward-looking statements. Forward-looking statements may be identified by the use of terms such as "believes," "expects," "estimate," "may," "intends," "plan," "will," "should" or "anticipates" or the negative thereof or similar expressions, or by discussions of strategy. We have based our forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties, and assumptions about us, including:

- uncertainties and changes in government policy, regulatory policy, statutory law or case law with respect to our companies, brokers or customers which can impede our ability to charge adequate rates and efficiently allocate capital;
- the amount and nature of competition in the insurance industry and the amount of capital within the industry and alternative risk transfer markets;
- the occurrence of man-made or natural catastrophic events;
- changing legal and social trends and the inherent uncertainties of the reserving process;
- loss of the services of any of our executive officers;
- initiatives underway at Markel International to reorganize business units and to evaluate reinsurance programs and exposures which could lead to additional changes and expense;
- the impact of US tax laws on our foreign subsidiaries;

- changing rates of inflation and other economic conditions;
- losses due to foreign currency exchange rate fluctuations;
- ability to collect reinsurance recoverables;
- changes in the availability, cost or quality of reinsurance;
- developments in domestic and international financial markets that could affect our investment portfolios;
- changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; and
- the effects of mergers, acquisitions and divestitures.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus or in any supplement to this prospectus might not occur. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as at their dates.

RATIO OF EARNINGS TO FIXED CHARGES

The results below include Terra Nova since its acquisition by us on March 24, 2000.

The following table sets forth the ratio of earnings to fixed charges for each of the last five fiscal years and for the six month period ended June 30, 2001.

	Six Months Ended June 30, 2001	Year Ended December 31, 2000	1999	1998	1997	1996
Ratio of Earnings to Fixed Charges...	1.5	0.1	3.0	4.4	4.1	5.2
Deficiency in the coverage of fixed charges by earnings before fixed charges (000's).....................	--	$51,806	--	--	--	--

The ratio of earnings to fixed charges is computed by dividing pretax income from continuing operations before fixed charges by fixed charges. Fixed charges consist of interest charges and amortization of debt expense and discount or premium related to indebtedness, whether expensed or capitalized, and that portion of rental expense we believe to be representative of interest.

USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement, we will use the net proceeds from the sale of securities by us or the Capital Trust to increase the capital of our insurance operations, to repay or refinance our indebtedness, to fund working capital, and for other general corporate purposes, including acquisitions. We will not receive any proceeds from the sale of common shares that may be offered by selling security holders.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital consists of 50,000,000 common shares, no par value, and 10,000,000 preferred shares, no par value. At September 30, 2001, 8,618,578 common shares were outstanding. At that date, no preferred shares were outstanding.

Preferred Shares

Our preferred shares are issuable in one or more series from time to time at the direction of the board of directors. The board of directors is authorized, with respect to each series, to fix its:

. designation,

. relative rights, including voting, dividend, conversion, sinking fund and redemption rights,

- preferences, including with respect to dividends and on liquidation, and
- limitations.

The board of directors, without shareholder approval, can issue preferred shares with voting and conversion rights that could adversely affect the voting power of the holders of common shares. This right of issuance could be used as a method of preventing a party from gaining control of us.

Common Shares

Each holder of our common shares is entitled to one vote for each share held of record on each matter submitted to a vote of shareholders. Cumulative voting in the election of directors is not permitted. As a result, the holders of more than 50% of the outstanding shares have the power to elect all directors. The quorum required at a shareholders' meeting for consideration of any matter is a majority of the shares entitled to vote on that matter, represented in person or by proxy. If a quorum is present, the affirmative vote of a majority of the shares voting on the matter at the meeting is required for shareholder approval. However, approval is required by the affirmative vote of more than two-thirds of all shares entitled to vote, whether or not represented at the meeting, in the case of major corporate actions, such as:

- a merger,
- a share exchange,
- the dissolution of Markel,
- an amendment to our articles of incorporation, or
- the sale of all or substantially all of our assets.

These provisions, together with our ability to issue preferred shares with disproportionately high voting power could be used to, or have the effect of, preventing or deterring a party from gaining control of Markel, whether or not beneficial to public shareholders, and could discourage tactics that involve an actual or threatened change of control of Markel.

Subject to the rights of any holders of our preferred shares, the holders of common shares are entitled to receive dividends when, as, and if declared by the board of directors out of funds legally available for that purpose and, in the event of liquidation, dissolution or winding up of Markel, to share ratably in all assets remaining after the payment of liabilities. There are no preemptive or other subscription rights, conversion rights, or redemption or sinking fund provisions with respect to common shares. All common shares outstanding upon the consummation of any offering will be legally issued, fully paid and nonassessable.

Our transfer agent and registrar for common shares is First Union National Bank.

Voting Rights with Respect to Extraordinary Corporate Transactions

Under Virginia law, a corporation may sell, lease, exchange or otherwise dispose of all, or substantially all, of its property, other than in the usual and regular course of business, if the

proposed transaction is approved by more than two-thirds of all of the votes entitled to be cast on that matter. A merger or share exchange plan must be approved by each voting group entitled to vote separately on the plan by more than two-thirds of all the votes entitled to be cast on the plan by that voting group. The articles of incorporation may provide for a greater or lesser vote, but not less than a majority of all the votes cast on the transaction by each voting group entitled to vote on the transaction. Our articles of incorporation do not provide for a greater or lesser vote.

Anti-takeover Statutes

Virginia law, except as to companies that elect not to be covered, prohibits the following business combinations between a Virginia corporation and any "interested shareholder:"

- mergers and statutory share exchanges;

- material dispositions of corporate assets not in the ordinary course of business;

- any dissolution of the corporation proposed by or on behalf of an interested shareholder; or

- any reclassification, including a reverse stock split, recapitalization or merger of the corporation with its subsidiaries that increases the percentage of voting shares beneficially owned by an interested shareholder by more than 5%.

An interested shareholder is, among others, a person who is, or an affiliate who was within three years of the transaction, a beneficial owner of more than 10% of any class of the outstanding voting shares of the applicable corporation. In these cases, unless the affiliated transaction satisfies "fair price" criteria or comes within an applicable exemption, the affiliated transaction must be approved by the affirmative vote of a majority of the disinterested directors and by the affirmative vote of the holders of two-thirds of the voting shares other than shares beneficially owned by the interested shareholder. We have not made any election in our articles not to be covered by this provision of the Virginia law.

Under Virginia law, voting rights for "control shares" must be approved by a corporation's shareholders, not including the shares held by interested parties. "Control shares" are shares whose acquisition entitles the acquiror to between 1/5 and 1/3, between 1/3 and 1/2, or greater than 1/2 of a corporation's voting power. If a shareholder has acquired control shares with a majority of all voting power and these shares have been given voting rights, all other shareholders have dissenters' rights. Virginia law exempts from these provisions acquisitions where the corporation is a party to the governing agreement. We have not made any election not to be governed by these provisions of Virginia law. Our board of directors can elect not to be governed by these provisions at any time before four days after receipt of a control share acquisition notice.

Insurance Holding Company Regulations on Change of Control

We are regulated as an insurance holding company and are subject to state and foreign laws that restrict the ability of any person to obtain control of an insurance holding company without prior regulatory approval. Without this approval or an exemption, no person may acquire any voting security of an insurance holding company which controls an insurance subsidiary, or merge with the holding company. "Control" is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a person and is usually presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of another person.

DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of debt securities, preferred shares or common shares. Warrants may be issued independently or together with debt securities, preferred shares or

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common shares offered by any prospectus supplement and may be attached to or separate from any of the offered securities. Each warrant will entitle the holder to purchase the principal amount of debt securities or number of preferred shares or common shares, as the case may be, at the exercise price and in the manner specified in the prospectus supplement relating to those warrants. Warrants will be issued under one or more warrant agreements to be entered into between us and a bank or trust company, as warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. If we offer warrants, we will file the warrant agreement relating to the offered warrants as an exhibit to, or incorporate it by reference in the registration statement of which this prospectus is a part.

The prospectus supplement relating to a particular issue of warrants will describe the terms of the warrants, including the following:

- the title of the warrants;
- the offering price for the warrants, if any;
- the aggregate number of the warrants;
- the designation and terms of the securities purchasable upon exercise of the warrants;
- if applicable, the designation and terms of the securities with which the warrants are issued and the number of such warrants issued with each security;
- if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;
- the principal amount of debt securities purchasable upon exercise of a warrant, if a debt warrant, and the price at which the principal amount of securities may be purchased upon exercise, which price may be payable in cash, securities, or other property;
- the date on which the right to exercise the warrants commences and the date on which the right expires;
- if applicable, the number of common shares or preferred shares purchasable upon exercise of a warrant and the price at which the shares may be purchased upon exercise;
- if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;
- the currency or currency units in which the offering price, if any, and the exercise price are payable;
- if applicable, a discussion of material United States federal income tax

considerations;

- whether the debt warrants represented by the warrant certificates or debt securities that may be issued upon exercise of the warrants will be issued in registered or bearer form;

- information with respect to book-entry procedures, if any;

- the currency or currency units in which the offering price, if any, and the exercise price are payable;

- the antidilution provisions of the warrants, if any;

- the redemption or call provisions, if any, applicable to the warrants; and

- any additional terms of the warrants, including terms, procedures, and limitations relating to the exchange and exercise of the warrants.

DESCRIPTION OF DEBT SECURITIES

This section describes the general terms and provisions of the debt securities which may be offered by us from time to time. The prospectus supplement will describe the specific terms of the debt securities offered by that prospectus supplement.

We may issue debt securities either separately or together with, or upon the conversion of, or in exchange for, other securities. The debt securities are to be either senior obligations of ours issued in one or more series and referred to herein as the "senior debt securities," subordinated obligations of ours issued in one or more series and referred to herein as the "subordinated debt securities," or our junior subordinated obligations issued in one or more series and referred to herein as the "junior subordinated debt securities." The senior debt securities, the subordinated debt securities and the junior subordinated debt securities are collectively referred to as the "debt securities." We will issue our senior debt securities under a senior indenture, our subordinated debt securities under a subordinated indenture and our junior subordinated debt securities under a junior subordinated indenture. The senior indenture, the subordinated indenture and the junior subordinated indenture are sometimes referred to herein collectively as the "indentures" and each individually as an "indenture." Each indenture will be entered into by us and an independent third party, known as a "trustee," who will be legally obligated to carry out the terms of the indenture. The Chase Manhattan Bank is the trustee under our senior indenture, our subordinated debt indenture and junior subordinated debt indenture. The particular terms of the debt securities offered by any prospectus supplement, and the extent to which the general provisions described below may apply to the offered debt securities, will be described in the prospectus supplement.

We have summarized certain terms and provisions of the indentures. The summary is not complete. If we refer to particular provisions of the indentures, the provisions, including definitions of certain terms, are incorporated by reference as a part of this summary. The form of indentures are filed as an exhibit to the registration statement of which this prospectus is a part, and are incorporated by reference. The indentures are subject to and governed by the Trust Indenture Act of 1939. You should refer to the applicable indenture for the provisions that may be important to you.

The senior indenture and the subordinated indenture are substantially identical, except for certain covenants of ours and provisions relating to subordination. The subordinated indenture and the junior subordinated indenture are substantially identical, except for certain rights and covenants of ours and provisions relating to the