**Combined ratio = Loss ratio + Expense ratio**

**1986:**

- IPO in December 1986
- Inducted on their board Prem Watsa and Stewart M. Kasen as directors
- Goal to grow at 20% with ROE > 20%
- Claims administration operation showed losses

**1987:**

- Share count increase led to lower increase in EPS compared to net profits
- ROE ~ 35%
- **Brokerage operations**: Bad results
- Contingent commissions business was good, however it's hard to forecast how this will do in the future
- Owns 21.6% equity interest in Fairfax financial holdings
- **Claims administration**: Acquired Lindsey & Newsom Insurance Adjusters (Texas) to expand into international claims adjusting and claims management business
- Acquired 35% stake in Shand Morahan and Evanston Services using leverage ($12 mn) (specialty insurance company providing professional and product liability insurance), speaks highly of Joe Prochaska (CEO of the company)
- Added Edmund G. (Ned) Langhorne (turned around claims operation business) and Leslie A. (Les) Grandis (helped in two acquisitions and in taking company public)

**1988:**

- ROE ~ 31%
- **Brokerage operations** were good
- Severe price competition in transportation and animal mortality business
- Equity stake in Fairfax increased to 23%
- Diluted 650'000 shares at $16.25 (raising net after tax amount of $9.6 mn) at low PE multiples to increase investment in Shand/Evanston group.
- Increased borrowing to $15 mn
- Excess provisioning done in insurance underwriting business to be conservative

1989:

- ROE ~ 24%
- **Brokerage operations** : Acquired certain assets of Rhulen Agency using debt. Should double revenues
- Increased borrowings to $44.5 mn
- **Claims administration**: Continue investing in expansion of Lindsey & Newsom
- **Underwriting**: Essex Insurance and Markel American Insurance – combined ratio of 79%

**1990:**

- **Underwriting**: Combined ratio of 80%
- Acquired remaining shares of Shand/Evanston group (using debt) and divested Fairfax and Lindsey & Newson (**claims administration**) – had been continuously investing in Lindsey/Newson before.

- This is contrary to its previously stated position of building a hugely diversified insurance business focusing on very different niche markets
- Focus has now become only on marketing and underwriting specialty insurance (reason given: simplify operations, synergy, bla bla.)
- Increased **long term borrowings** to $127 mn
- **Brokerage operations**: Significant growth on back of previous acquisition of Rhulen
- Stock market declined
- **Investment portfolio**: $360 mn
- **Equity returns**: (-7%), **Fixed income returns**: 10.3%, **Overall**: 6.2%
- As majority of revenues will be from underwriting activity, company will not seek to maintain 20% growth rate as future growth target to be prudent while writing risk

**1991:**

- ROE ~ 21%
- **Underwriting**: Combined ratio of 106% largely due to one specific program under the American Underwriting Managers division which has now been discontinued
- **Equity returns**: 26.9%, **Fixed income returns**: 15.1%, **Overall**: 17%
- **Reduced debt** by $33 mn
- Long term goal is to keep d/e ~ 0.33
- Stock market rebounded leading to good performance in equity investments
- **Brokerage operations**: Sees the Rhulen as largely an underwriting business
- Given that five years have passed since the acquisition of Shand/Evanston, original sellers have disagreed with company about reserve estimates
- **Investment portfolio**: $436 mn (inclusive of cash)

**1992:**

- ROE: 27%
- **Underwriting**: Combined ratio of 97%
- **Equity returns**: 13.1%, **Fixed income returns**: 7.8%, **Overall**: 8.2%
- **Long term debt** ~ $101 mn
- Sold governmental programs division (was a brokerage business) to focus on specialty underwriting business
- Tony Markel became President and Chief Operating Officer of Markel Corp and is responsible for insurance underwriting business
- Steve Markel promoted to Vice Chairman and will be responsible for capital allocation
- Darrell Martin became CFO; Alan Kirshner remains CEO
- **Investment portfolio**: $442 mn ($290 mn in fixed investments, $74 mn in equities)
- Shand/Evanston case: Markel's reserve estimates found to be more adequate requiring additional payment to the original sellers by Markel
- Insurance business is getting hugely competitive due to lower priced premiums

**1993:**

- ROE: 18%
- **Underwriting**: Combined ratio of 97%
- **Equity returns**: 28.7%, **Fixed income returns**: 9.1%, **Overall**: 11.8%
- **Investment portfolio**: $597 mn ($108 mn in equities)
- Collected $66 mn from reinsurers by releasing them of their future potential losses

- **Long term debt** ~ $78 mn (issued public bonds at 7.5% repaying bank borrowings) (d/e ~ 0.34)
- Share count ~ 5.4 mn
- Clearly said that wont give cash dividends or do splits
- Accelerated amortization to reduce tax liabilities as large part of these assets are tax deductible

**1994:**

- **Underwriting**: Combined ratio of 97% (higher because of Northridge earthquake)
- **Equity returns**: (-3.3%), **Fixed income returns**: (-0.2%), **Overall**: (-1.1%)
- Higher premium collection and increased retentions
- Have been growing in new lines of insurance (natural hazard insurance for commercial properties, local and intermediate distance freight, horse industry, property coverage for mobile homes and low value dwellings, etc.)
- Interest rates started going up
- Five year weighted average returns were 7.9% (7.8% from fixed income, 11% from equity)
- **Investment portfolio**: $612 mn
- Successfully reached settlement agreements with previous owners of Shand/Evanston

**1995:**

- **Underwriting**: Combined ratio of 99%
- **Equity returns**: 29.7%, **Fixed income returns**: 14.4%, **Overall**: 15.7%
- Property/casualty insurance industry continues suffering from competitiveness leading to poor industry dynamics and increased consolidation
- CAGR growth in earned premiums has been 54% over the last 5 years
- **Investment portfolio**: $909 mn
- Several one-time gains: $83 mn (from reinsurance), $60 mn (related to acquisition of Lincoln Insurance), $19 mn (sale of home office buildings)
- **Bonus:**
    - Dependent on individual performance
    - Individuals who have a direct impact on underwriting profits get bonuses linked to underwriting profits by their division
    - Senior executives are rewarded based on 5-year average CAGR on book value (no bonus if 5-year CAGR on book value < 15%)
- Granted stock options which will not be done in the future. Instead there are various incentives offered to directly buy stocks instead of granting stock options
- Associate ownership ~ 32.5% of overall company shares

**1996:**

- **Underwriting**: Combined ratio of 100% (have shown profits for 9 out of last 10 years)
- **Investment portfolio**: $1.1 bn ($207/share)
- **Raised $150 mn** in borrowings (for future acquisitions)
- Creates excess loss reserves (5-10% approx.) for conservative accounting
- Aims to generate 10% underwriting profits from mobile home insurance business (cannot create lot of investment income because of claims are made quickly). Made $1.7 mn losses due to Hurricane Fran
- Exited physicians' medical malpractice area because of losses

- An insurance vertical benefits after catastrophe as insurance premiums rise and insurers exit market (eg: Special property insurance for commercial property against natural calamities which was started in 1993 benefitted from 1994 Northridge earthquake which made competitors exit the market)
- Acquired Investors Insurance Holding corp (has shady history, however new management team was brought on with sound business plans and seems promising)

**1997:**

- **Underwriting**: Combined ratio of 99%
- **Equity returns**: 31.4%, **Fixed income returns**: 9.2%, **Overall**: 12.8%
- **Investment portfolio**: $1.4 bn
- Was listed in NYSE in June 1997
- Comments on declining premiums in casualty insurance
- **Past acquisitions**
    - Shand Morahan & Evanston insurance
        - Initially invested in 1987, fully acquired in 1990 (total investment: $85 mn)
        - Has got dividends worth $83 mn in this time period
        - Net premium collection of $100 mn in 1997 with small underwriting profits
        - Investment portfolio has become $650 mn which is generating significant investment returns
        - Current book value ~ $210 mn
    - Rhulen (total investments: $57 mn)
        - Acquired in 1989
        - Transformed from a brokerage to a full service insurance business
        - No dividends received yet
        - Earned premiums of $68 mn in 1997 with underwriting losses
        - Investment portfolio has become $178 mn
    - Lincoln Insurance company
        - Acquired in 1995 at $24 mn
        - Received dividends of $35 mn
        - $6 mn in premium volume
    - Investors Insurance Holding corp.
        - Acquired in 1996 at $38 mn
        - Earned premiumns of $30 mn (with combined ratio of slightly over 100%)
        - Investment assets ~ $160 mn
        - Book value ~ $46 mn

**1998**:

- **Underwriting**: Combined ratio of 98%
- **Equity returns**: 13.3%, **Fixed income returns**: %, **Overall**: 8.9%
- **Investment portfolio**: $ 1.8bn
- Does not own any hi-tech stocks as a result they are trailing S&P returns
- Asia crisis, problems in Russia and Brazil, failure of long term capital management hedge fund

- Prem Watsa leaves board
- Tom Gayner joins board (joined company in 1990 and manages equity portfolio)
- Gryphon acquisition
    - Investment $150.7 mn + $55 mn (debt)
    - $200 mn in annual premiums, will decline by 50% to improve underwriting standards
    - Had underwriting losses in each of last 4 years
    - Had aggressive loss reserves
    - Investment portfolio ~ $400 mn
    - Three insurance companies inside:
        - Associated International insurance (California)
        - Calvert Insurance (New Jersey)
        - First Reinsurance company of Hartford (Chicago)
- Business model is to not have any underwriting losses; Have $4 in investment for every $1 in book value, earn 5% after tax returns on investments through debt + equity; this will lead to book value growth of 20%

**1999:**

- **Investment portfolio**: $ 1.6bn
- **Equity returns**: (-10%), **Fixed income returns**: 0.9%, **Overall**: 6.9%
- Poor equity returns because of concentration in insurance stocks rather than tech stocks
- **Underwriting**: Combined ratio of 101% (96% excluding Gryphon)
- Plans to acquire Terra Nova (Bermuda) holdings (@ $660 mn)
    - Slightly bigger than Markel
    - Half in cash, half by issuing 1.8 mn common shares
    - Gross premium written in 1999 was $865 mn
    - Investment portfolio: $1.5 bn, Book value: $436 mn
    - Casualty insurance and reinsurance company
    - Operations in London (headquartered in Bermuda)
    - Believes it's a high quality international insurance business at a fair price
    - Will add goodwill to balance sheet which will be amortized over 20 years
    - Will add 3 board members
        - Nigel Rogers, president & CEO
        - Jack Byrne, director, past executive at GEICO and Fireman's fund, CEO of White Mountains Insurance (Bermuda based reinsurance company)
        - Mark Byrne, Jack's son, previously MD of Global Fixed Income arbitrage at Credit Suisse First Boston
- Acquire renewal rights to Acceptance Insurance Companies' Scottsdale business
- Realized investment losses to create tax assets
- Seeing better opportunities for underwriting profitable insurance policies
- Continue restructuring Gryphon & sold certain business lines
    - Calvert Insurance for $22 mn
    - Investors Insurance for $54 mn

**2000:**

- **Underwriting**: Combined ratio of 114% (97% for North American operations; 116% for international operations, 6% worse from expected; 143% from discontinued operations)
- **Equity returns**: 26%, **Fixed income returns**: %, **Overall**: %
- **Investment portfolio**: $3.1 bn
- Equity dilution of $200 mn
- Improving industry underwriting trends (more profitable)
- Withdrew from E&S insurance business with New York contractors as it proved difficult to insure profitably
- Completed acquisition of Terra Nova
- Consolidated International operations to five units from earlier 11 units
- Jack Byrne will not be continuing on board because of involvement in White Mountains Insurance
- Doug Eby joined board (President of Robert E. Torray & Co; manages $6 bn in investment assets); Torray is Markel's largest outside shareholder

**2001:**

- **Underwriting**: Combined ratio of 124% (102% for North American operations; 134% for international operations; 229% from discontinued operations)
- **Equity returns**: 16.9%, **Fixed income returns**: 7.7%, **Overall**: 8.4%
- **Investment portfolio**: $3.6 bn ($544 mn in equity)
- **Equity dilution**; issued 2.5 mn shares raising $408 mn (improving d/e to 0.24)
- World trade center attack in September; Recognized $29 mn losses from one North American program and $109 mn from international business
- If we ignore equity dilution, book value went down by 10%
- Continue enjoying improving industry underwriting trends
- Mark Byrne will leave board due to personal commitments
- Very bad year for them! Especially when they have talking about improved insurance pricing (was Jack Byrne leaving an indication?)

**2002:**

- **Underwriting**: Combined ratio of 103% (94% for North American operations; 107% for international operations)
- **Equity returns**: (-8.8%), **Fixed income returns**: 9.8%, **Overall**: 8.3%
- **Investment portfolio**: $4.3 bn ($551 mn in equity)
- **Optimal equity allocation** ~ 20-25% of investment portfolio (75-80% of net worth)
- Borrowed $140 mn from banks to repurchase $35 mn of short term convertible notes and improve capital adequacy
- Inducted Jay Weinberg as independent director (Chairman of Hirschler Fleischer law firm)

**2003:**

- **Underwriting**: Combined ratio of 99% (94% for North American operations; 107% for international operations); First underwriting profits since acquisition of Gryphon and Markel International; Correct pricing in the last few years are finally showing results
- **Equity returns**: 31%, **Fixed income returns**: 4.5%, **Overall**: 10.5%
- **Investment portfolio**: $5.3 bn ($969 mn in equities)
- Premium prices are still going up (tailwind), albeit at a slower pace

- Moved Gerry Albanese (chief underwriting officer at Shand) and Richie Whitt (Corporate Comptroller and Treasurer) to London office to manage Markel International
- Issued $200 mn of ten year notes to repay bank debt and pre-pay debt maturing this year
- Will have 4 independent board members out of 7 total board directors (Tom Gayner, Gary Markel, and Darrell Martin will step down from the board to make this happen)

**2004:**

- **Underwriting**: Combined ratio of 96% ( for North American operations; London business still reporting losses)
- **Equity returns**: 15.2%, **Fixed income returns**: 4.8%, **Overall**: 7.9%
- **Investment portfolio**: $6.3 bn ($1.3 bn in equities)
- **Debt**: $610 mn in senior long-term, $150 mn in junior subordinated debentures (equity like and included as equity in d/e calculations), $95 mn in convertible notes
- Premium prices are become weak (i.e. more competition coming up)
- Inducted Al Broaddus as a director (past president of Federal Reserve Bank of Richmond)
- Darrell Martin will retire as CFO (was holding this post since 1988) and pass the baton to Richie Whitt (joined Markel in 1991)
- Increased retained gross premium to 81% compared to 77% in 2003

**2005:**

- **Underwriting**: Combined ratio of 101% (Underwriting losses due to hurricanes Katrina, Rita and Wilma)
- **Equity returns**: (-0.3%), **Fixed income returns**: 3.9%, **Overall**: 1.5%. Overweight on financial services led them trailing S&P
- **Non-insurance acquisitions:**
    - Majority stake in AMF Bakery (Richmond based) – a manufacturer of bakery instruments ($60 mn in revenue)
    - Minority stake in First Market bank (Richmond), in partnership with Ukrop family – a grocery business
- Underwriting quality and prices in industry deteriorated
- Bought back 49’400 stocks worth $16 mn
- Net premium retention of 82%

**2006:**

- **Underwriting**: Combined ratio of 87% (Markel International finally has a combined ratio of 100%)
- **Equity returns**: 25.9%, **Fixed income returns**: 5.2%, **Overall**: 11.2%.
- **Bought back 140’000 stocks worth $46 mn ($328 stock price; 1.4 times book value)**
- Missed underwriting target 6 times over the 20-year period (mainly during the 2001 acquisition phase and large hurricanes of 2005)
- d/e ~ 0.27
- **Issued $150 mn of 7.5% senior notes** due in 40 years with a five year par call
- Net premium retention of 87%

- Added Lemuel E. Lewis to board of directors (CFO of Landmark Communications, Virginia; also serves on board of Reserve Bank of Richmond)

**2007:**

- **Underwriting**: Combined ratio of 88% (Markel international showed 93% combined ratio FINALLY! Paying its first cash dividend)
- **Equity returns**: (-0.4%), **Fixed income returns**: 5.6%, **Overall**: 4.8%. Overweight on financials and consumer businesses and underweight on energy and commodities led to lower relative returns. Betting on recovery in lending businesses
- Insurance market is getting undisciplined again with very competitive pricing
- Despite very little growth in gross written premium over the past five years, book value has grown at 18% CAGR due to better underwriting and superior investment incomes
- Shand Morahan and Essex changed names to Markel Shand and Markel Essex for better brand visibility
- Associated owned more than 10% of outstanding shares

**2008:**

- **Underwriting**: Combined ratio of 99% (major Hurricane hit Houston metropolitan region; Markel International back to underwriting losses)
- Insurance pricing continues to decrease (industry recorded loss in 2008)
- **Equity returns**: (-34%), **Fixed income returns**: 0.2%, **Overall**: (-9.6%). Experienced permanent loss of capital by holding debt in Lehman, Washington Mutual and Fannie and Freddie; Permanent loss of capital by selling equity positions in Citigroup, MBIA, LandAmerica
- **Reduced** equity holdings from a higher of 75% of shareholder equity in Dec 2006 to a low of 49% in Dec 2008
- **Non-insurance acquisitions:**
    - Parkland ventures: owner and operator of manufactured housing parks
- No bonus for executive team because of 5-year book value growth < 15%
- Tony Markel stepped down as President and became Vice Chairman; Paul Springman became president and Chief Operating Officer (joined in 1984)
- Promoted Gerry Albanese to Chief Underwriting Officer (was president of Markel International and one of the most talented Underwriting officers; joined 24 years ago)
- William Stovin named President of Markel International
- Britt Glisson became Chief Administrative Officer (joined Markel in 1990)

**2009:**

- **Underwriting**: Combined ratio of 95% (Markel International: 91%; Markel Specialty: 99%)
- **Equity returns**: 25.7%, **Fixed income returns**: 9.8%, **Overall**: 13.2%
- Equity exposure is 17% of investment portfolio (lower than historical averages)
- International business pricing is better compared to US pricing
- **One Markel initiative** – Offer all Markel products from the five regional offices and they are responsible for sales and underwriting responsibility. Product line group led by Chief Underwriting Officer is responsible for product development, underwriting guidelines, and pricing.

- **Atlas** – Have unified systems to handle operational issues such as underwriting, invoicing, policy issuance, claims, billing, agency relationship management and reinsurance (total cost: $190 mn)
- Acquired Elliott Special Risks in Canada (controls $90 mn of specialty professional and general liability business)
- Wants to grow in India, China and Southeast Asia
- **Non-insurance acquisitions:**
    - Panel Specialists (PSI): Provides laminated furniture products to universities/hospitals
    - Ellicott Dredge Enterprises: manufactures dredges for transportation, water and mining applications
- Mark Crowley joined Markel to head specialty insurance operations
- Les Grandis passed away (was on board since 1987)

**2010:**

- **Underwriting**: Combined ratio of 97% (Markel International: 95%; Markel Specialty: 100%; Deepwater horizon disaster; Chilean earthquakes)
- **Equity returns**: 20.8%, **Fixed income returns**: 5.4%, **Overall**: 7.9%
- Very competitive pricing in insurance industry
- d/e ~ 0.24
- Gerry Albanese made Executive Vice President of Markel
- **Non-insurance business:**
    - Grown from $50 mn revenues in 2005 to $250 mn revenues in 2010
    - EBITDA for 2010 ~ $20.4 mn vs $4.6 mn for 2009
- **Insurance acquisition:**
    - FirstComp: Workers' compensation specialty operation serving 8000 retail agents across US
- **Non-insurance acquisition:**
    - Solbern: Manufactures equipment for food processing industry
    - RetailData: Provides market intelligence services to grocery, general merchandise, drug stores and other retailers
    - Diamond healthcare: Provides behavioral health services in over 75 communities across US
    - Markel eagle partners (non-controlling stake): Deals in Mid-Atlantic real-estate
    - GoodHaven Asset management (non-controlling stake): Mutual fund and separate account offerings
- Downplaying Atlas project saying that IT is a recurring and non a one-time need

**2011:**

- **Underwriting**: Combined ratio of 102% (Markel International: 116%; Markel Specialty: 109%; floods in Australia and Thailand; New Zealand earthquakes; Japan tsunami; tornadoes and hurricanes in US)
- **Equity returns**: 3.8%, **Fixed income returns**: 7.6%, **Overall**: 6.5% (Internal cost to manage equity investments are < 0.10% of equity AUM)
- **d/e ~** 0.27 (issued $250mn of 5.35% ten-year senior note)
- Property and catastrophe insurance rates are moving up as a result of large industry-wide losses

- Expand international insurance business with a new office in Holland, two small acquisitions in Sweden, second office in Spain, and small offices in Hong Kong and Beijing
- **Non-insurance business:**
  - Revenues of $351 mn
  - EBITDA of $37.3 mn
- **Non-insurance acquisition:**
  - PartnerMD: Concierge medical practice headquartered in Richmond (Virginia)
  - Weldship: Provides tube trailers and storage equipment for industrial gas industry

**2012:**

- **Underwriting**: Combined ratio of 97% (Markel International: 89%; Markel Specialty: 108%; hurricane Sandy)
- **Equity returns**: 20%, **Fixed income returns**: 5%, **Overall**: 9%
- Tepid insurance prices
- **Insurance acquisition:**
  - Thomco: Program administrator (20 insurance programs) headquartered in Atlanta, Georgia with a 30-year operating history (specialty insurance); Controlled $170 mn in insurance premiums
  - Partnership with Hagerty: Finalized terms of partnership with Hagerty (premier insurance agency serving classic collector car and boat markets)
  - Essentia Insurance: Underwrites insurance exclusively to Hagerty customers
- **Non-insurance business:**
  - Revenues of $489 mn
  - EBITDA of $60 mn
- **Non-insurance acquisition:**
  - Havco: Wood flooring supplier for trailer part of a tractor trailer
  - Idreco: Dutch based dredge manufacturer; Acquired by Ellicott Dredge;
  - Reading and Tromp: added by AMF Bakery. AMF has grown revenues four-fold from its acquisition in 2005 (based on multiple acquisitions)
- Successfully finished IT upgradation with a centralized warehouse of all wholesale insurance data

**2013:**

- **Underwriting**: Combined ratio of 97%
- **Equity returns**: 33.3%, **Fixed income returns**: not reported, **Overall**: 6.8% (Interest rates began rising; increasing the duration of fixed income portfolio to make use of higher interest rates; equity allocation is 49% of net worth because of Alterra acquisition, will take it up to 80%)
- **Shares repurchases** worth $57 mn
- **Non-insurance business:**
  - Revenues of $686.4 mn
  - EBITDA of $83.8 mn
- **Insurance acquisition:**

    - Alterra: Large insurance company with demonstrated track record of underwriting performance (not a troubled insurance company) – Issued 4.3 mn shares to fund Alterra acquisition
- **Non-insurance acquisition:**
    - Eagle construction: Homebuilder in Central Virginia. Previously partnered with them to buy real-estate after 2008-09 crisis
- Reinsurance business facing tremendous competitiveness on premiums

**2014:**
- **Underwriting**: Combined ratio of 95% (Markel International: 93%; Reinsurance: 96%)
- **Equity returns**: 18.6%, **Fixed income returns**: 6.5%, **Overall**: 7.4%
- **Non-insurance business:**
    - Revenues of $838.1 mn
    - EBITDA of $81.4 mn (goodwill impairment charges ~ $13.7 mn on Diamond Healthcare)
    - Goodwill: $216 mn
- Alterra acquisition has gone smoothly
- **Non-insurance acquisition:**
    - Cottrell: Car hauling trailer manufacturer
    - AMF bakery is now called Markel Food group
    - Acquired additional manufactured housing communities at Parkland ventures

**2015:**
- **Underwriting**: Combined ratio of 89% (US segment: 89%; Markel International: 86%; Reinsurance: 90%; no major catastrophe)
- **Equity returns**: (-2.5%), **Fixed income returns**: 1.6%, **Overall**: (-0.7%)
- Gross written premiums and volumes reduced (intense competition even in international markets)
- Markel International opens new office in Dubai
- **Non-insurance business:**
    - Revenues of $1 bn
    - EBITDA of $91.3 mn (Full goodwill impairment write-down of remaining ~$14.9 mn on Diamond Healthcare)
- **Insurance acquisition:**
    - Acquired assets of CATCo (Insurance linked securities)
- Low interest rates has resulted in low ROCE across sectors and industries
- Cottrell acquisition has gone well
- **Non-insurance acquisition:**
    - Captech: Management consulting firm (Richmond Virginia)
- Hired Reid Colson to lead analytics department

**2016:**
- **Underwriting**: Combined ratio of 92%
- **Equity returns**: 13.5%, **Fixed income returns**: 2.4%, **Overall**: 4.4%
- Observing large variance in economic performance of businesses held in the stock market. Saying that equity returns of 13.5% is exaggerating the economic growth of the underlying companies (this is really new!)

- Insurance market globally very competitive
- Having problems in reducing their expense ratio (39%). Promised that expenses will come down
- **Non-insurance business:**
    - Revenues of $1.2 bn
    - EBITDA of $165.1 mn (including goodwill write-off of $18.7 mn for a subsidiary which is cyclical in nature)

**2017:**

- **Underwriting**: Combined ratio of 105% (Hurricanes Harvey, Irma, Maria, Nate, California wildfire, Mexico earthquakes, Asian cyclones, European crop damage; highest ever loss by insurance industry; total catastrophic expected loss for company ~ $535 mn; CAT increased combined ratio by 13%; change in UK government policies increased combined ratio by 2%)
- **Equity returns**: 25.5%, **Fixed income returns**: 3.4%, **Overall**: 10.2%
- US tax cut from 35% to 21% reduced deferred taxes on unrealized equity gains by $402 mn
- **Non-insurance business:**
    - Revenues of $1.3 bn
    - EBITDA of $178 mn
- Bought back stocks worth $111 mn
- Raised $300 mn 30-year fixed rate financing at 4.3%
- Reduced expense ratio from 39% to 37%
- **Insurance acquisition:**
    - SureTec: Brings specialized knowledge of the surety market (Founder John Knox directly approached Markel for acquisition)
    - State National: Brings specialized insurance services in certain segments (Insurance linked Securities)
- **Non-insurance acquisitions:**
    - Costa farms: World's largest grower of houseplants (largest non-insurance acquisition)

**2018:**

- **Underwriting**: Combined ratio of 98% (Reinsurance: 113%; higher than average property catastrophe losses)
- **Equity returns**: (-3.5%), **Fixed income returns**: 1.3%, **Overall**: (-1%)
- Insurance marketplace remains hypercompetitive
- **Non-insurance business:**
    - Revenues of $1.9 bn
    - EBITDA of $170 mn
- Received enquiry from US and Bermuda authorities into loss reserves recorded in 2017 and 2018 of CATCo (acquired in 2015)
- **Insurance acquisition:**
    - Nephila: Market leader in Insurance linked securities (ILS)
- Insurance linked securities (ILS): Risk for insurance is taken by an investor (eg: endowment fund) and Markel charges management and incentive fees. In essence, there is no balance sheet risk for Markel

- **Non-insurance acquisitions:**
    - Brahmin leather: Sells luxury handbags

**2019:**

- **Underwriting**: Combined ratio of 94% (Reinsurance: 104%)
- **Equity returns**: 30%, **Fixed income returns**: 6.5%, **Overall**: 14.6% (equity prices rose faster than intrinsic value of companies). Equity management cost: 0.08%
- Lloyd London insurance business is very competititve
- Catco Enquiry update: Enquiry from US and Bermuda authorities are on-going. Internal audit suggests no wrong doing. All investor money gone and CATCo is winding up (was acquired in 2015). Markel also invested in ILS fund of CATCo and had to take losses along with other co-investors
- State National and Nephila ILS funds are going well so far
- **Non-insurance business:**
    - Revenues of $2.1 bn
    - EBITDA of $264 mn