Markel Corp. (“MKL”)

June 2017

@find_me_value

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Brief Overview of Markel Corp.

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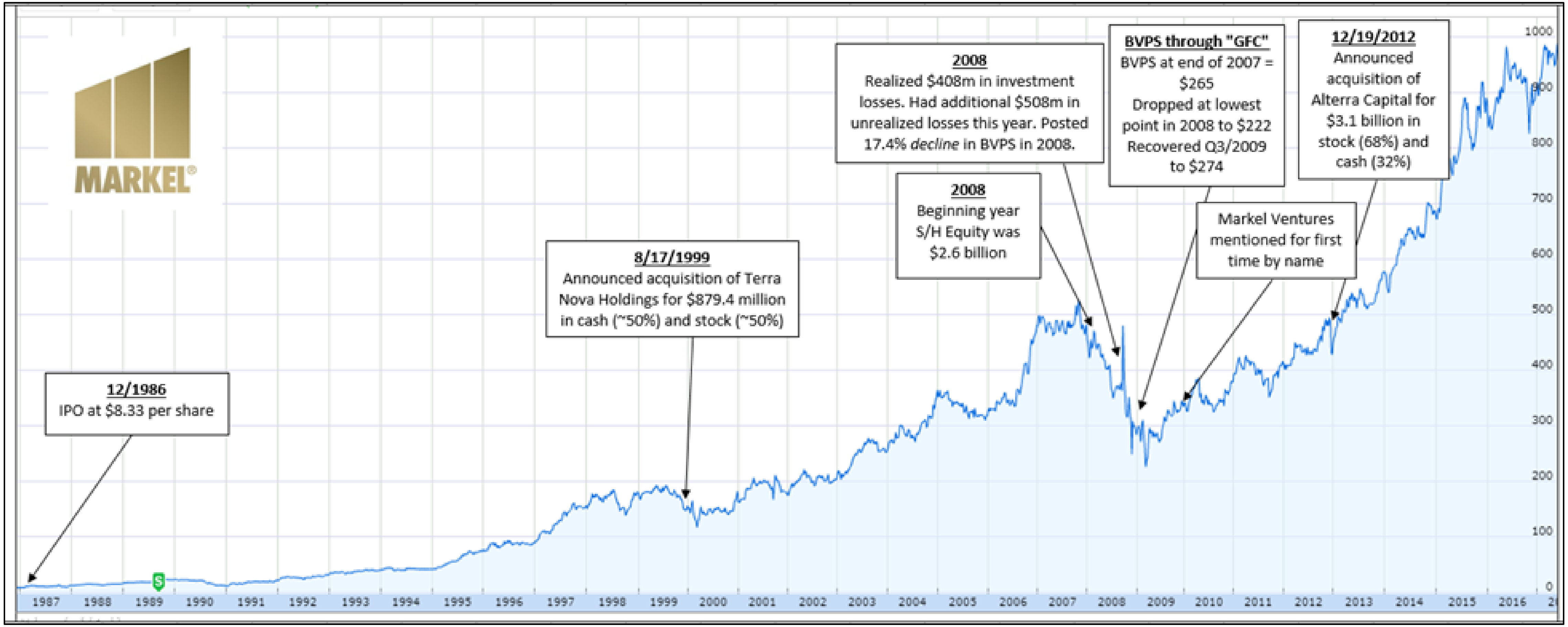
Summary:

- Insurance company – specialty insurance, niche markets
- Focus on differentiation through expertise of clients, services
- Formed in 1930 in Virginia, December 1986 IPO on NASDAQ at $8.33/share
- Currently about $975 per share (BVPS is $615, trading at ~1.6x BVPS)
- Compounded stock price about 17% CAGR since IPO in 1986
- Models the business to be like Berkshire Hathaway
  - Consistently have underwriting profits
  - Invest the insurance portfolio in a double-barreled approach of public and private equities
  - Diversify the overall business through non-insurance company ownership
  - Grow earnings power at above-market rate
  - Measuring progress on longer term basis
  - Not splitting the stock price as it creates no economic value
  - No dividend, reinvests all cash flow

Important Events for Markel



Major Event: Terra Nova Acquisition (1999)

- Markel wanted to expand more internationally
- Acquired Terra Nova for $879 million, split about 50% in stock and 50% in cash
- Subsequently had terrible underwriting performance as Terra Nova did not underwrite policies appropriately
    - 2000: 114% combined ratio
    - 2001: 124% combined ratio
    - 2002: 103.4% combined ratio
- Example: 2000 Annual Report (7 months after acquisition was made)
    - *"The underwriting results of our International operation were disappointing, as we had a combined ratio of 116% from continuing operations. This is approximately 6% worse than our original expectation. These poor results were due to business that was on the books prior to our acquisition. Throughout the year we repriced and re-underwrote the ongoing business, and eliminated many underperforming programs. As a result, we expect to report improved results in 2001, and we continue to believe that we will be able to achieve underwriting profitability in the not too distant future."*
- The issues with the Terra Nova acquisition, in my opinion, is what caused tremendous shareholder uncertainty with the late 2012 announcement of the Alterra Capital acquisition, which would expand Markel into reinsurance

Major Event: Alterra Capital Acquisition (2013)

- Announced December 2012
- The $3.13 billion deal would be 73% in stock and 27% in cash
- Stock price fell from $486 to $436 on the day of the announcement, a ~10% decline
- Shareholder's likely remembered the Terra Nova acquisition, the desire to enter into new markets through M&A, and the subsequent terrible underwriting discoveries that led to a few years of underwriting losses
- Did Markel have underwriting losses post-Alterra, similar to Terra Nova?
  - 2013: adjusted combined ratio of 101.8% for the reinsurance segment
  - 2014: 95.7% combined ratio for reinsurance
  - 2015: 89.7% combined ratio for reinsurance
  - 2016: 87.2% combined ratio for reinsurance
- Looks like Markel management avoided making the same mistake *twice*

Why did Markel Acquire Alterra?

- Increased scale and size, almost doubling their gross premiums written to $4.4 billion from $2.5 billion
- Some insurance duration diversification – about 50% would be short-tail, 50% long-tail
  - Alterra was 56% short-tail, 44% long tail
- Markel believed Alterra's management did an adequate job reserving their policies written
- Expands the investment balance sheet, giving Gayner (Markel's CIO) a total of $16 billion to work with
- Adjust the Alterra portfolio to become more "Markel-oriented"
  - End of 2012, 94.9% of the portfolio was in cash and fixed maturities, 5.1% in hedge funds

Overview of Insurance

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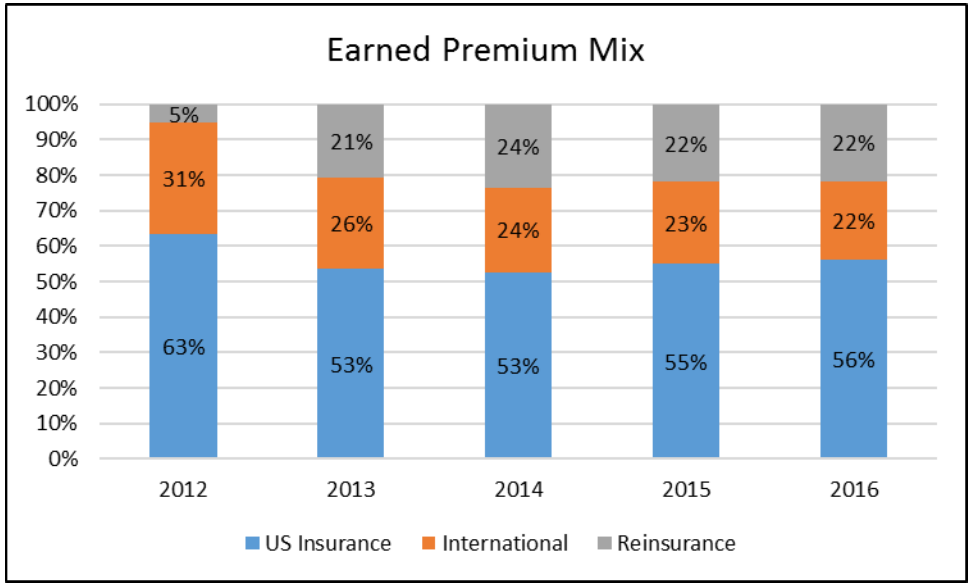
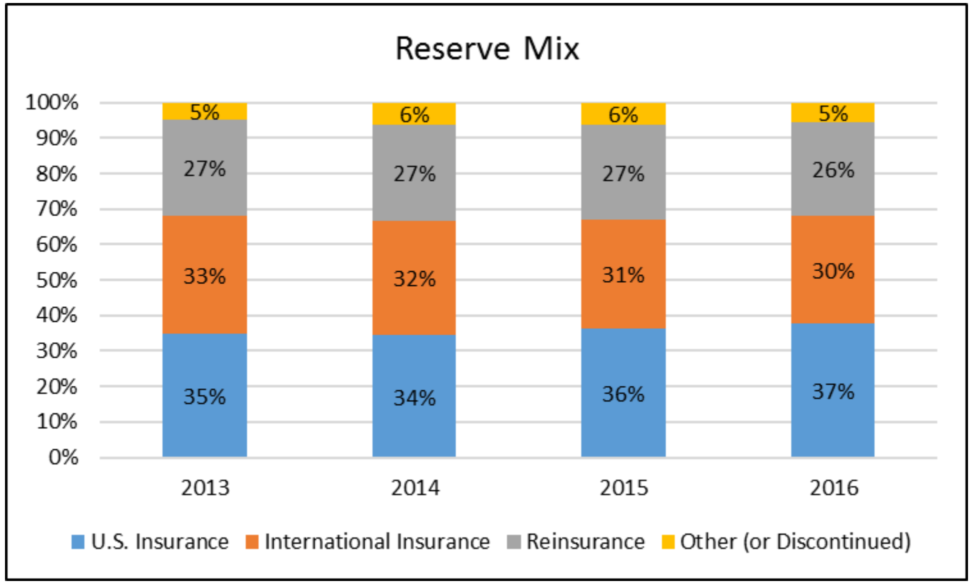
Markel's Insurance Business:

- *Largely* a specialty insurance provider
- Different than standard market – rates more regulated, products and coverage is mostly uniform
- Standard market is highly competitive on price
- Specialty market (where Markel writes insurance) is *less* price-sensitive, more focus is on hard-to-place risks that are outside of expertise of standard insurance carriers
- Some niche markets Markel focuses on:
    - Wind and earthquake exposed commercial properties
    - Professional liability
    - Workers compensation for small businesses
    - Classic cars
    - Summer camps

What Kind of Insurance Company is Markel?

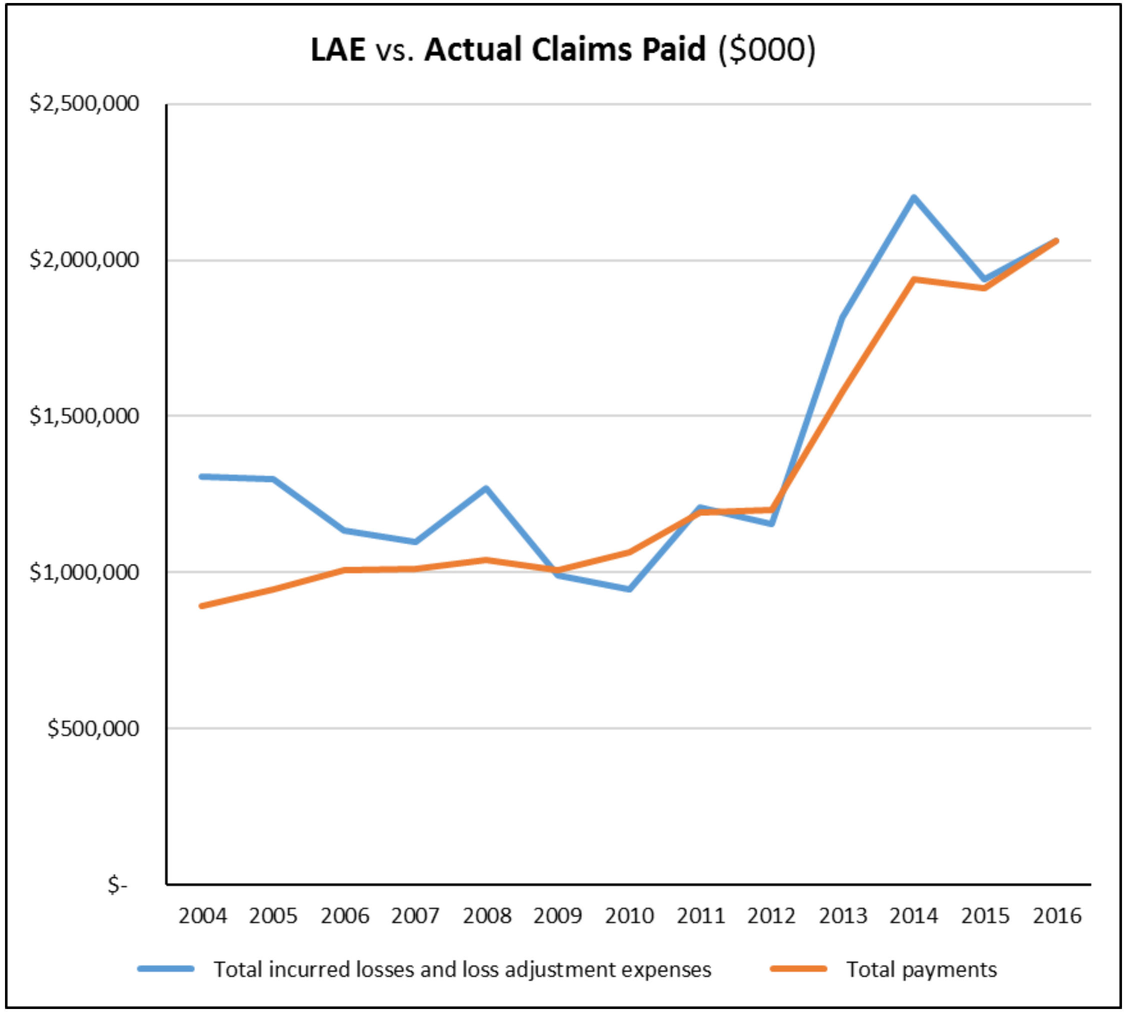
- $3.9 billion in earned premiums in 2016 (similar in 2014, 2015)
- Earned Premiums = 78% is non-reinsurance
- Reserves = 74% are non-reinsurance
- About 60% of business is casualty / 40% is property
- 80% of premiums written are in North America (77% United States), with 7% from UK



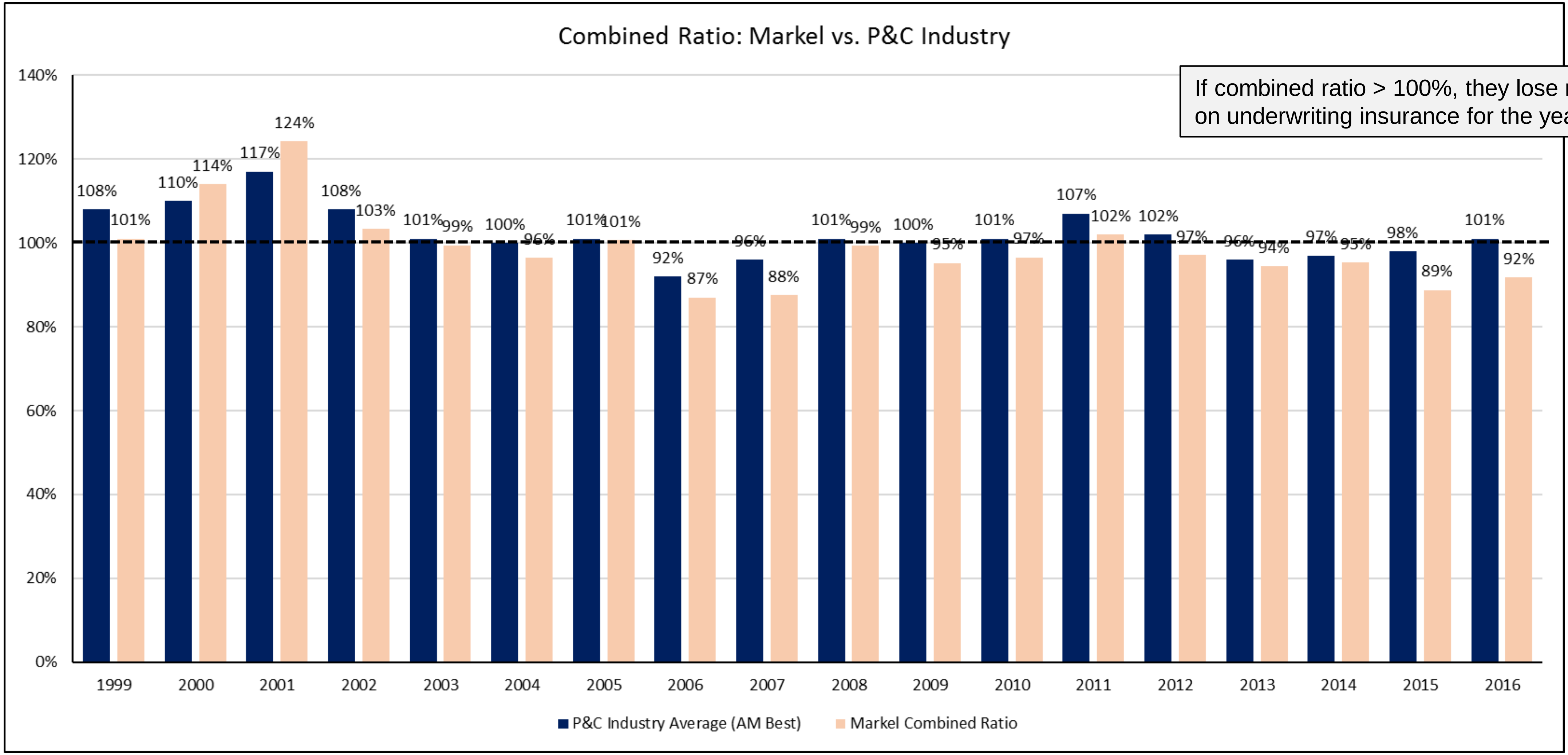


Insurance Overview: *Underwriting is a Strength*

- Have shown a good job of adequately reserving losses, compared to actual claims paid (see chart)
- Focus on underwriting profits is a *true* differentiator in the insurance industry; other companies will say this, but it is “lip service”
- However, this also means that MKL will not grow premiums much, if at all, at times during price-competitive times
- This focus on underwriting profits limits their ability to extract leverage out of the fixed income portfolio; however, it allows them to invest a higher percentage of SH Equity in investments than the typical insurance company

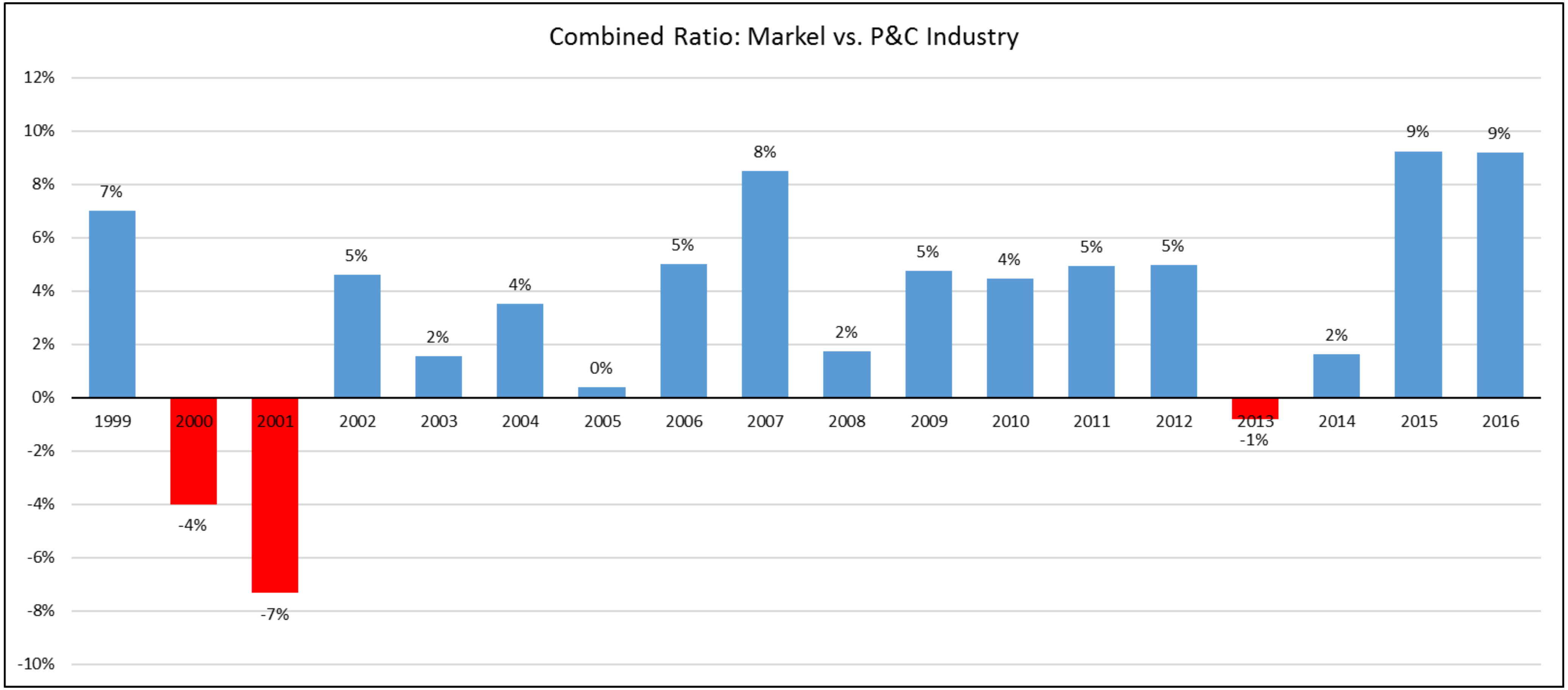


Underwriting: Compared to P&C Industry



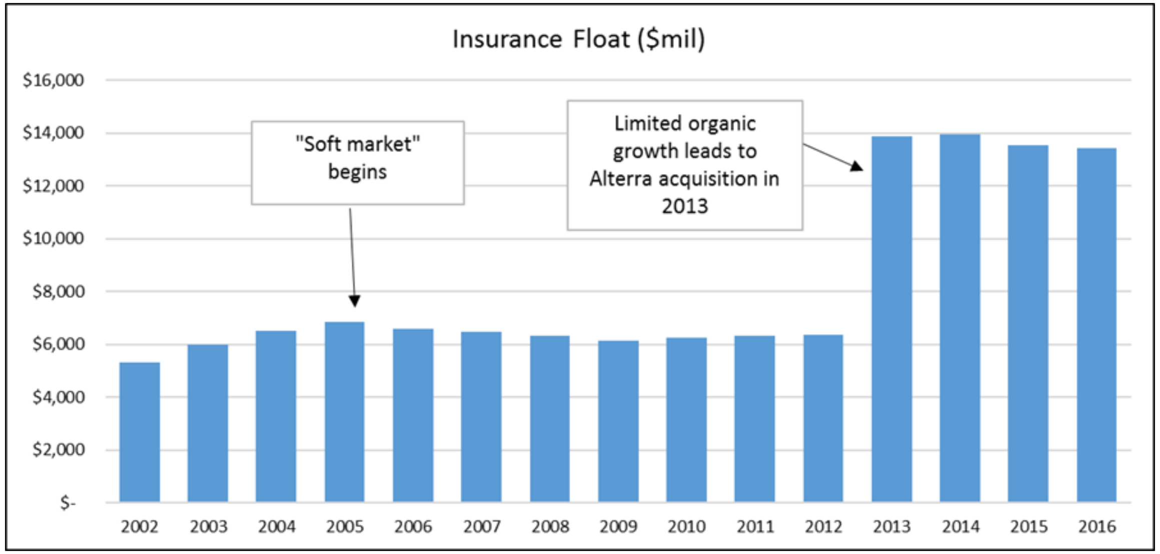
If combined ratio > 100%, they lose money on underwriting insurance for the year

Markel Consistently Outperforms P&C Industry on Underwriting



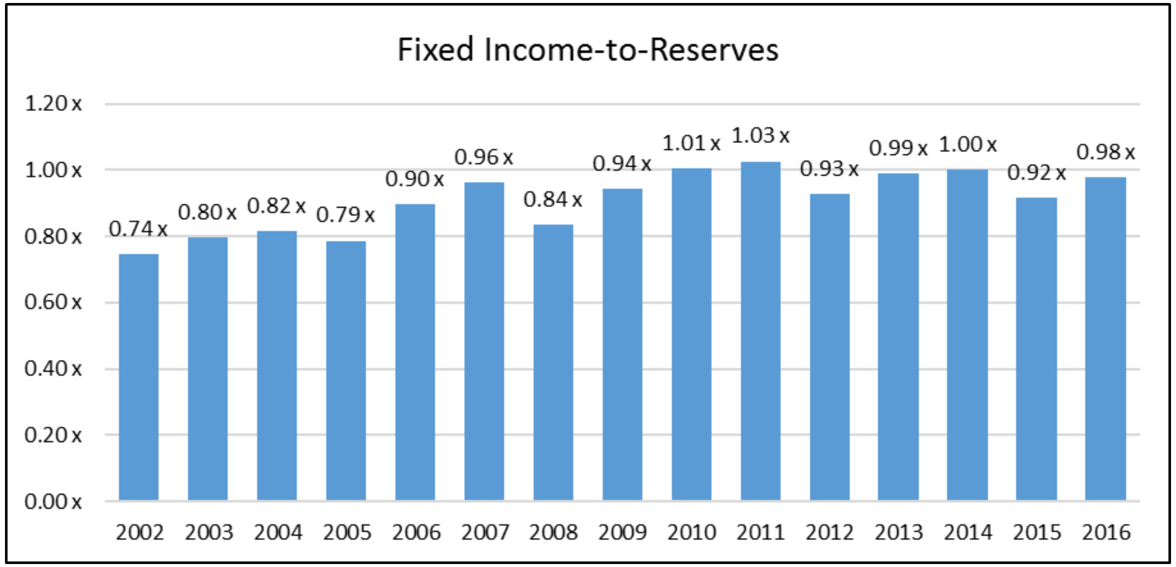
How Insurance Has Impacted Markel's Economics

- The market has been "**soft**" for the last ~12 years or so; in other words, excess capital and too much competition on price leads to often underpricing risks and later losing money
- Markel's float slowed down in mid-2000's, which is when the soft market began
- Organic growth in the insurance business (i.e. "writing policies") slowed, as since Markel tries to match the reserves (duration and in size) with a fixed income portfolio, the fixed income-to-S/H Equity leverage declined
- Due to this, Markel shifted focus to earning money in other ways in addition to U/W profits



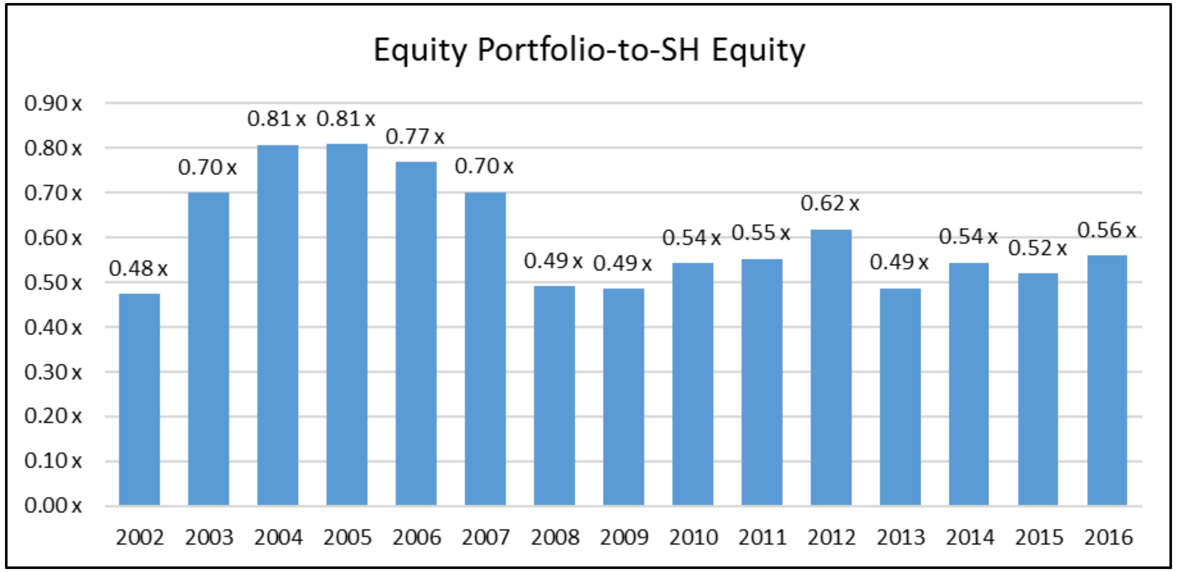
Writing Insurance & the Fixed Income Portfolio

- The fixed income portfolio, all things being considered, grows with growth in the reserves/ underwriting more insurance
- *Shorter-tail:* more investments likely will be shorter duration, more liquid, as premiums in and claims paid have short lives. This is more common in property-type insurance.
- *Longer tail:* possible to expand the fixed income portfolio a little more than claims take longer to pay out. This is more common in casualty-type insurance.
- As Markel's insurance business mix has shifted, they are now more matched in terms of insurance reserves with their fixed income portfolio
- Due to the fact that the duration of the liabilities are 4-6 years, they underwrite consistently at a profit, and earn about $300m post-tax in net investment income, they can invested a sizable portion of SH Equity in "higher return investments" (public equities)



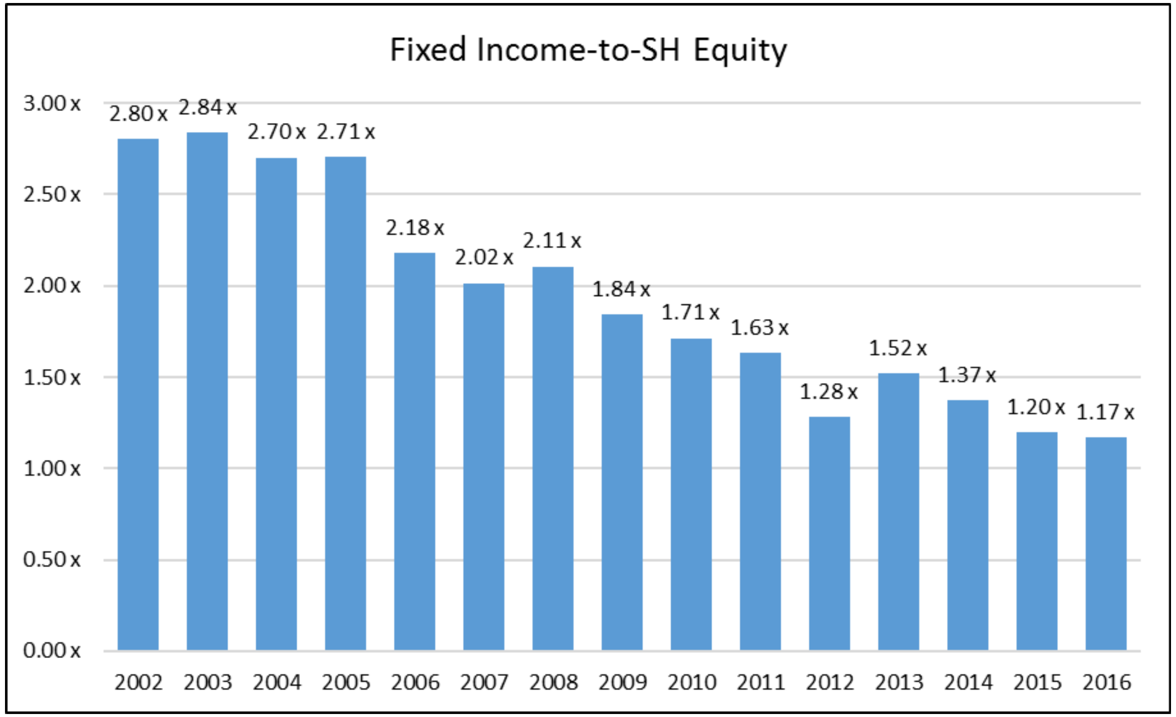
Soft Market in Insurance since 2005

- Fixed income leverage tied directly to growth in insurance business
- As the market became soft, Markel's reserve (and float) became stagnant, actually declining some
- Other components of the balance sheet were growing still – namely the equity portfolio
- Goals is to match insurance liabilities with the fixed income portfolio and use the shareholder's equity for higher return investments, such as Markel Ventures and Equities
- Markel strives to be around 65% of SH Equity in Equity Investments (see chart)



Soft Market = Stagnant Premium Growth:

- See chart right
- The soft market made writing insurance less profitable, Markel slowed down writing insurance, the fixed income portfolio became stagnant while SH Equity continued to grow. Thus, the Fixed income-to-SH Equity leverage decreased
- In 2002, fixed income was 2.8x the size of SH Equity. A 3% yield on the fixed income portfolio essentially grew BV by 8.4%, prior to any other income sources.
- It's not difficult to see why Markel grew BVPS around 20% CAGR in the early 2000s
- Now, fixed income-SH Equity leverage is 1.17x. The same 3% yield adds about 3.6% growth in BV.



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BVPS Growth

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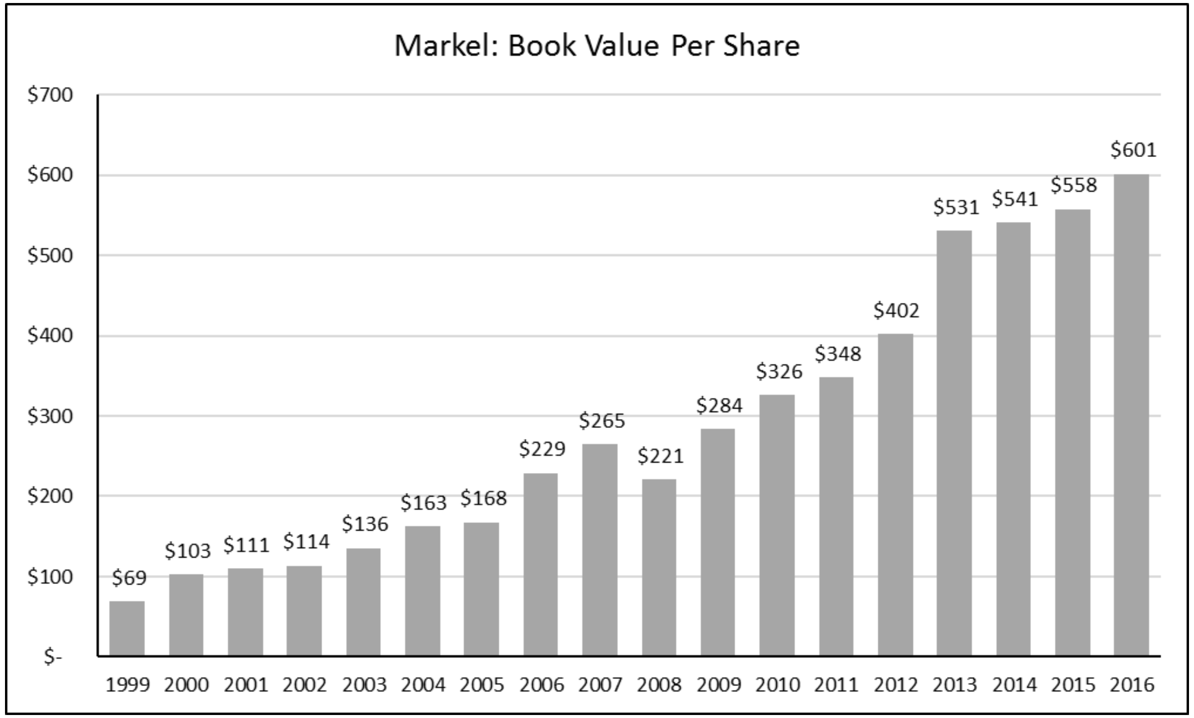
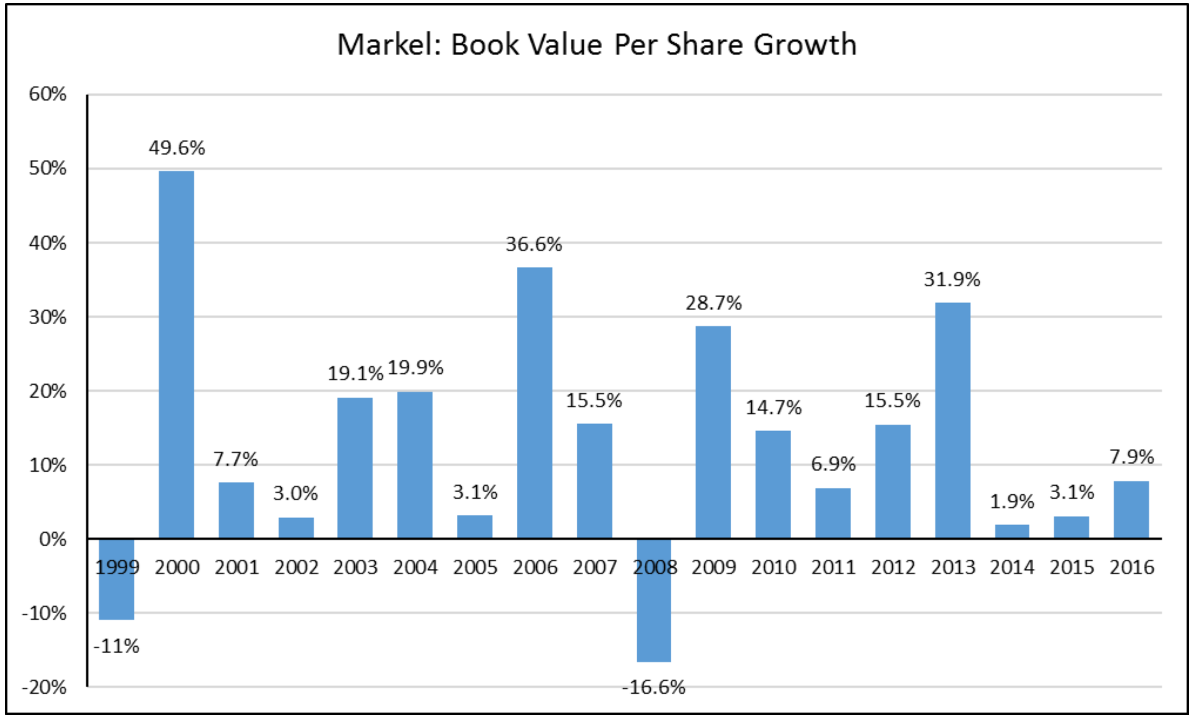
BVPS Metric

- Does BVPS growth the only metric that matters?
- In my opinion, for the most part, **yes**
- Similar to Berkshire Hathaway. Despite the tremendous non-insurance segments at BRK, what propels stock returns is adequate growth in BVPS at this point.
- Of the total assets, $25 billion are in insurance operations and $1.5 billion in Markel Ventures. Given that Ventures earns minimal net income and only comprises of 5-6% of assets, Markel is still very much an insurance company and is valued based on B/S returns.
- It is my belief that BVPS growth is the primary metric for the stock.
- Investors may, at times, recognize the value of MKL Ventures, but the backstop for valuation will continue to be BVPS growth over time, until Ventures becomes far more sizable and contributes more to net income/FCFE

Markel: BVPS & Growth

- BVPS Growth has been impressive over time, growing at a ~14% CAGR from 1999-2016
- Markel's stated goal is to *double* BVPS every 5 years
- In the following slides, I will discuss exactly how Markel's BVPS growth has been so strong
- Using history as a guide, I will then try to estimate how Markel's BVPS growth should be going forward





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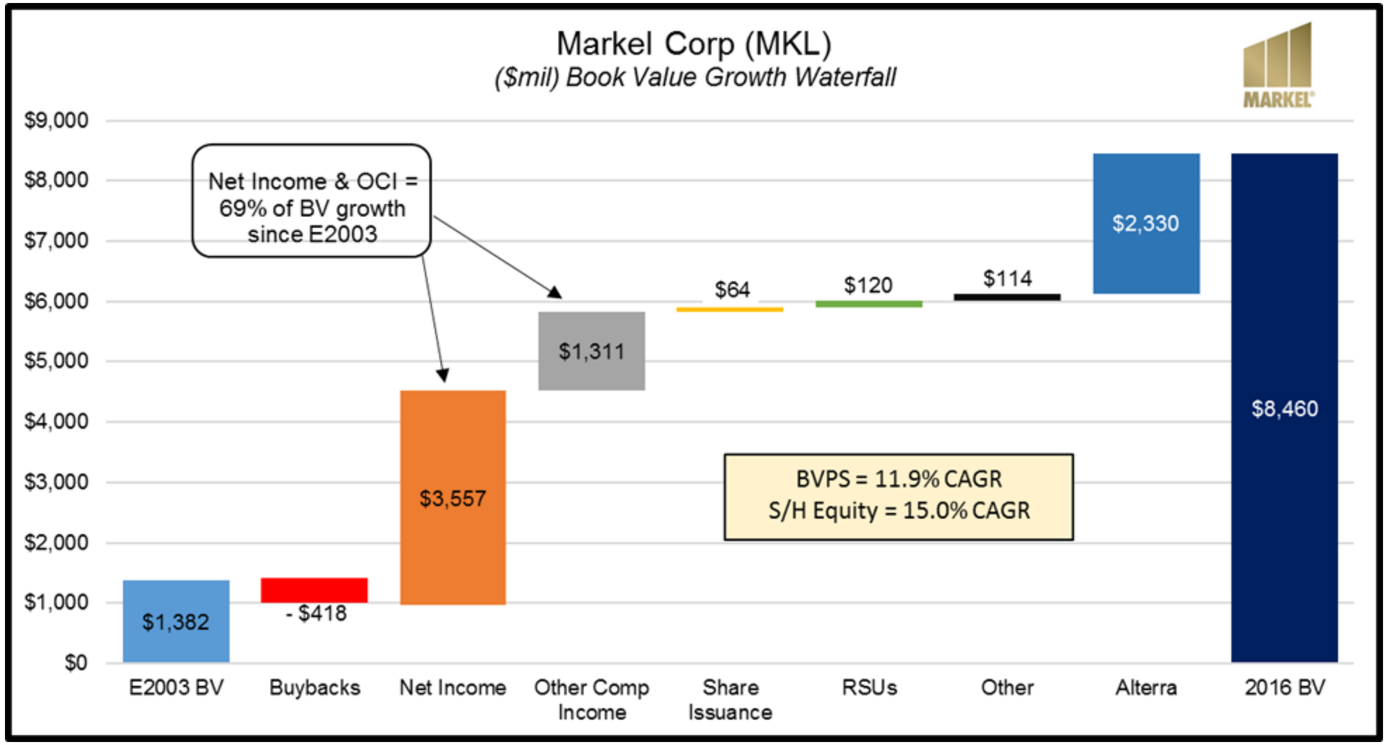
What Is the Narrative for ***Why*** BVPS Grows?

- Many think of Markel as growing BVPS at above-industry rates for these reasons:
  - Culture for writing insurance; i.e. actually trying to have underwriting profits
  - Investing in equities at an above-industry rate (50-65% of SH Equity is in equities)
  - Above average investment skill by Gayner, the CIO
  - Double-barrel approach of investing capital: public market equities or private market (Markel Ventures)
- I briefly discussed Markel's skill as underwriters of insurance
  - This does provide them the luxury of investing in equities at a higher percentage of SH Equity than other P&C companies
  - Provides them the luxury to invest in private companies – Markel Ventures – due to the relative consistency in underwriting, among other things
- Is Tom Gayner, Markel's CIO, the secret sauce for their investing capabilities?
- Does Markel Ventures propel book-value-per-share growth in addition to their other methods?

Historical BV Growth:

- Based on my analysis, since E2002, S/H Equity has grown by $7.3 billion:
  - $2.3 billion from Alterra acquisition in 2013
  - $3.7 billion from net income
  - $1.4 billion from OCI flowing through to the balance sheet, net of taxes
  - Some reduction/increase from share repurchases, RSUs, stock issuance
- Excluding Alterra, 100% of the BV growth has come from net income and OCI
  - 73% from net income
  - 27% from OCI gains

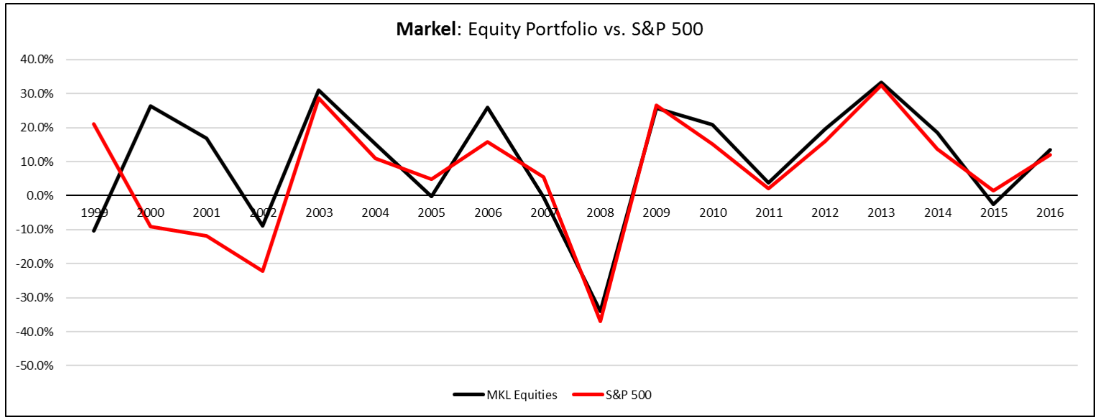


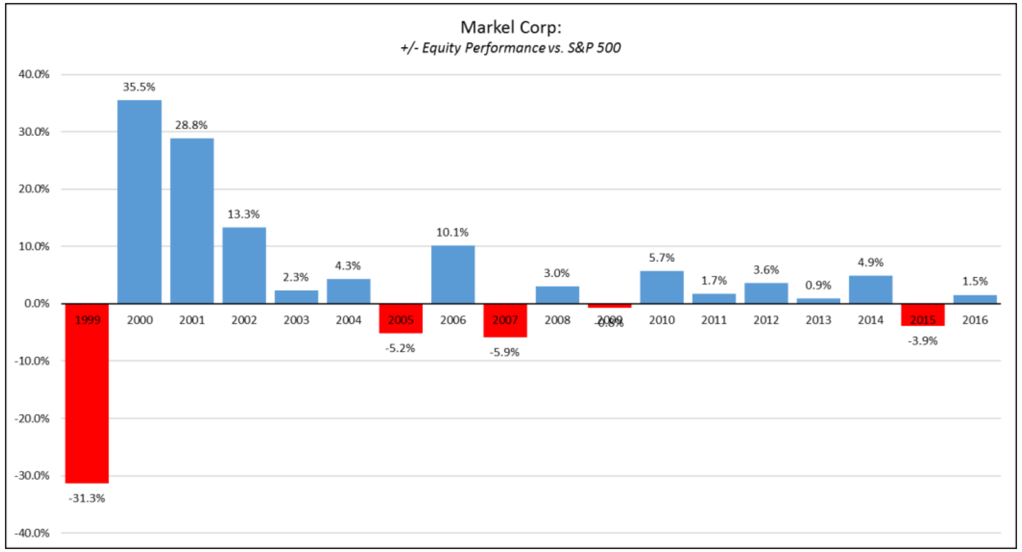
Is Tom Gayner Markel's "Lou Simpson" (GEICO)?

- Gayner does not do any of the underwriting business, therefore any underwriting profit is not his doing
- Gayner's primary responsibilities are:
  - Invest the public equity portfolio
  - Invest the fixed income portfolio
  - Invest in Markel Ventures (private companies)
- It is undeniable that the investment portfolio has been the main reason for historically strong BVPS growth. Is it due to:
  - Actual investment performance being above average
  - Investment leverage
  - Large portion of SH Equity invested in equities, in order to drive higher BVPS growth
- Answer: All of the above.
- However, I believe the *investment leverage* and the decision to have a *sizable portion of SH Equity in public equities* are the dominant force behind the growth

Investment Performance: **Public Equities**

- In comparing the equity portfolio performance with the S&P 500, a substantial portion of “alpha” was generated prior to the global financial crisis of 2008/2009
- Gayner purposefully decided against investing in many technology stocks in the late 2000s, and he did superior to the S&P 500 due to this in the following year of the early 2000s
- From 2009 to 2016, the average outperformance by Gayner in the public equity portfolio has been 1.7% per year
- 1.7% may seem immaterial, but I consider it a nice accomplishment, especially considering the increased competitiveness of public market investing and as Markel’s balance sheet has expanded, thus limiting the potential public investments that can be made
- By my calculations, **Gayner has added around $300m (pre-tax) in added returns from 2009-2016**, compared to if he just invested passively in the S&P 500





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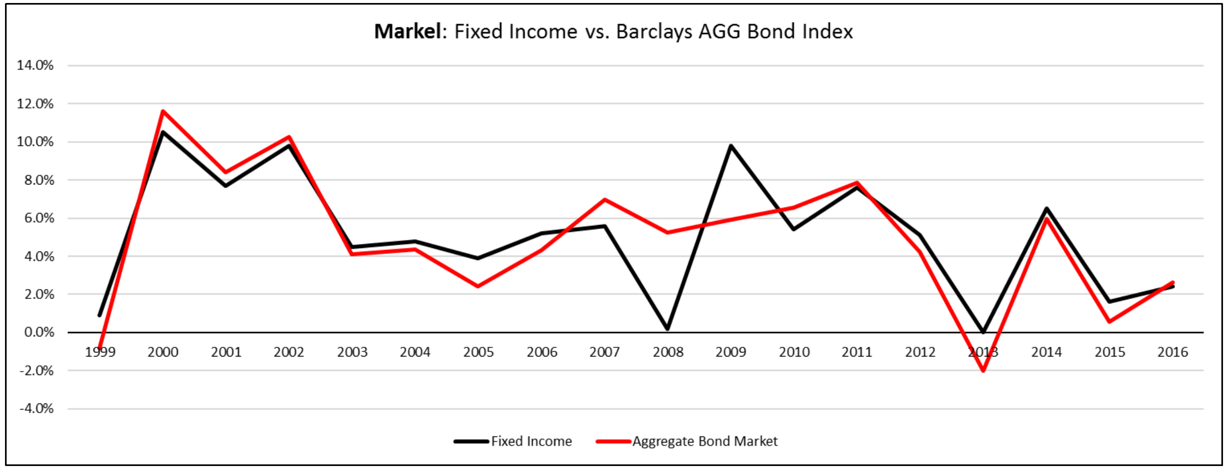
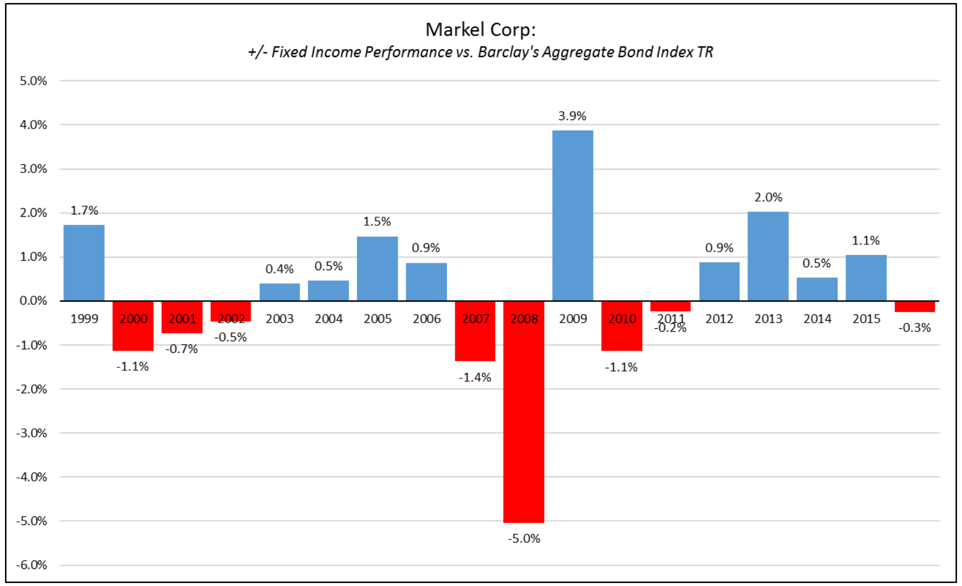
Investment Performance: **Fixed Income**

- Comparing the fixed income portfolio to the Barclay's Aggregate Bond Index, despite the volatility in comparing the two on a year to year basis, there really hasn't been any net outperformance on a pre-tax basis
- However, Markel invests a sizable portion in municipal bonds, some are tax free and some are not
- On a net basis, about 1/3 of the post-tax net investment income, which is the single largest driver of BVPS growth, comes from tax-free municipal bond income
- Municipal bond tax-free interest = ~$90 million per year
- Being active in choosing which bonds to own is more apparent in looking at the estimated post-tax bond returns

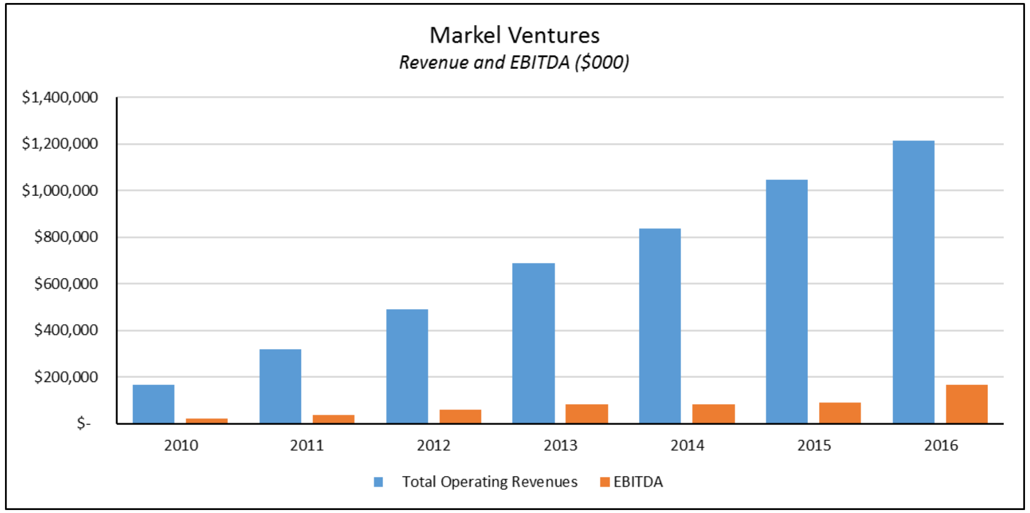


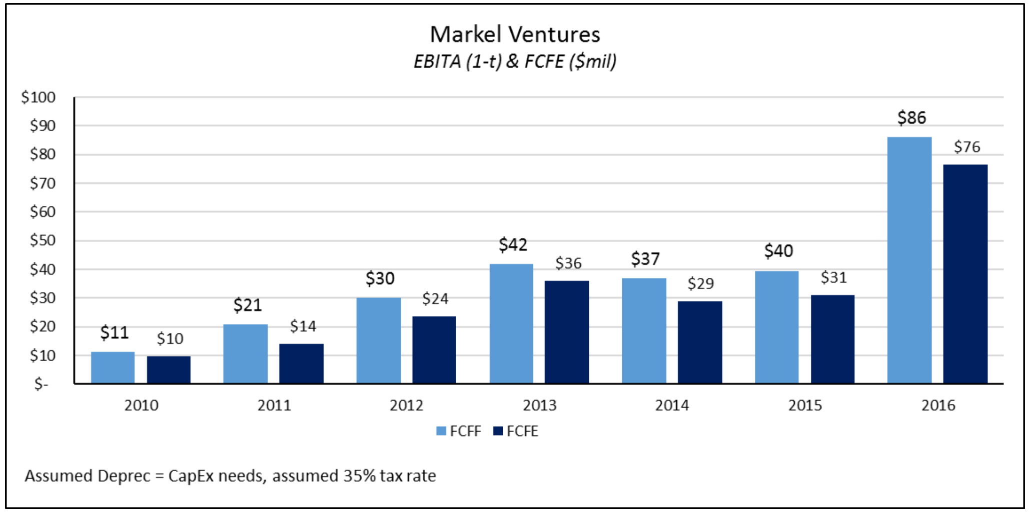


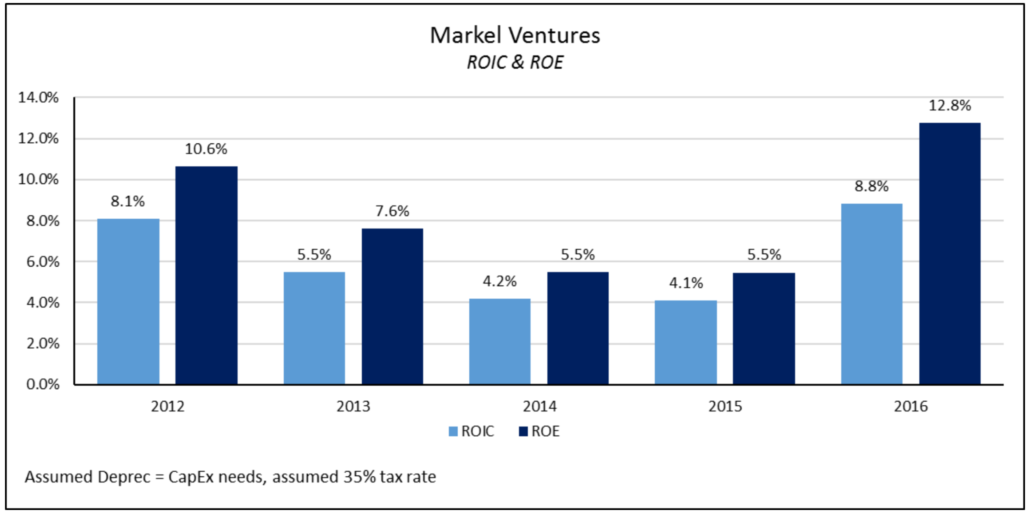
Markel Ventures

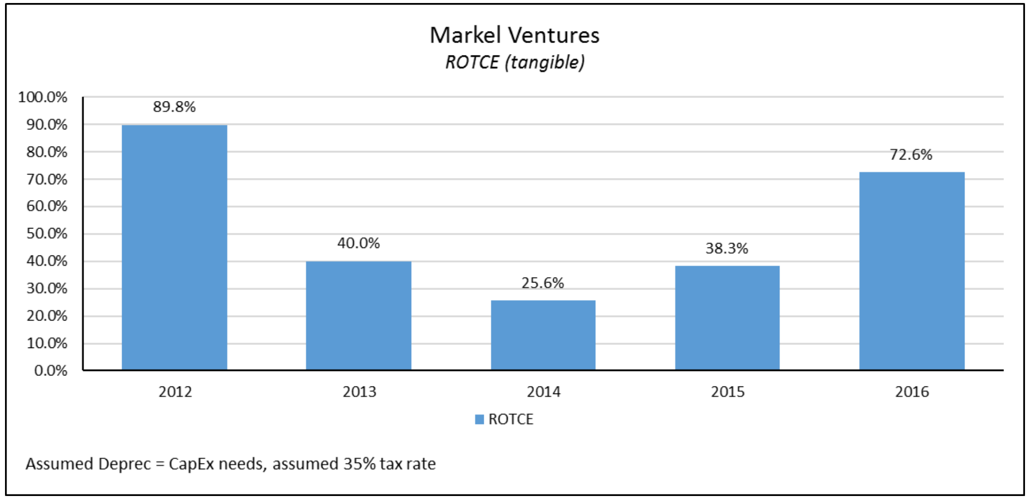
- The “creation” of this segment inside Markel likely has more stock price value than actual economic value, at this point
- If we prefer to value MKL on a BVPS growth basis, “Ventures” barely contributes:
  - $1.2 billion in revenues in 2016
  - $165 million in EBITDA (which would have been 2.1% of beginning of the year MKL S/H Equity)
  - With depreciation and amortization expenses of $60 million + $35 million in interest expense, not much net income from Markel Ventures yet
  - $56 million of net income
  - The amortization expenses are due to the acquisitions, in due time should decrease and the FCFE should mirror net income more closely
- The economics of Markel Venture are decent, and net income understates the actual cash flow the business is generating
  - Net income of $56 million in 2016
  - FCFE of $75m - $80m in 2016
- I would anticipate Markel Ventures will become a meaningful contributor at some point; but currently:
  - Markel Ventures is likely worth around the invested capital in the business
  - The actual cash flow exceeds net income, but is not meaningful enough yet to move the stock
  - As there is limited net income, it does not propel BVPS growth yet, which I still believe is the primary metric for the stock price
  - However, if there is continued reinvestment in Ventures, it will undoubtedly give investors more to think about beyond just BVPS growth as the economics of Ventures is understated in its contribution to BV

Overview of Markel Ventures' Economics:









Circling Back Around to BVPS Growth

Why else is BVPS growth the primary current metric for valuing Markel Corp?

- Their entire philosophy is: "Our overriding perspective is a long-term one, and correspondingly, **we believe growth in book value per share over a multi-year period is the best measure** for assessing how we are doing at running the Company and creating shareholder value."
- Compensation is also tied to BVPS growth: "For 2016, all of our executive officers received incentive compensation relative to their base salaries on an equivalent basis, and incentive compensation should comprise the vast majority of their target compensation. Consistent with our long-term perspective, **we believe incentive compensation should be paid primarily on the basis of growth in book value over a multi-year period**."
- The principal performance metrics for any compensation is "book value growth over the past 5 years"
- It would make sense that if BVPS growth is the primary metric for management compensation, as well as it being their core management philosophy, at current state BVPS growth should also be the primary metric for valuation
- Despite Markel Ventures revenues and robust EBITDA, management is not incentive based on MKL Ventures at the moment, as minimal net income from Ventures flows through to BVPS growth

Growth in Book Value Per Share	Award as % of Base Salary under the Plan
Under 6%	0%
6%*	40%
7%*	40%
8%*	40%
9%*	40%
10%	60%
11%	80%
12%	100%
13%	125%
14%	150%
15%	175%
16%	200%
17% or more **	Discretionary

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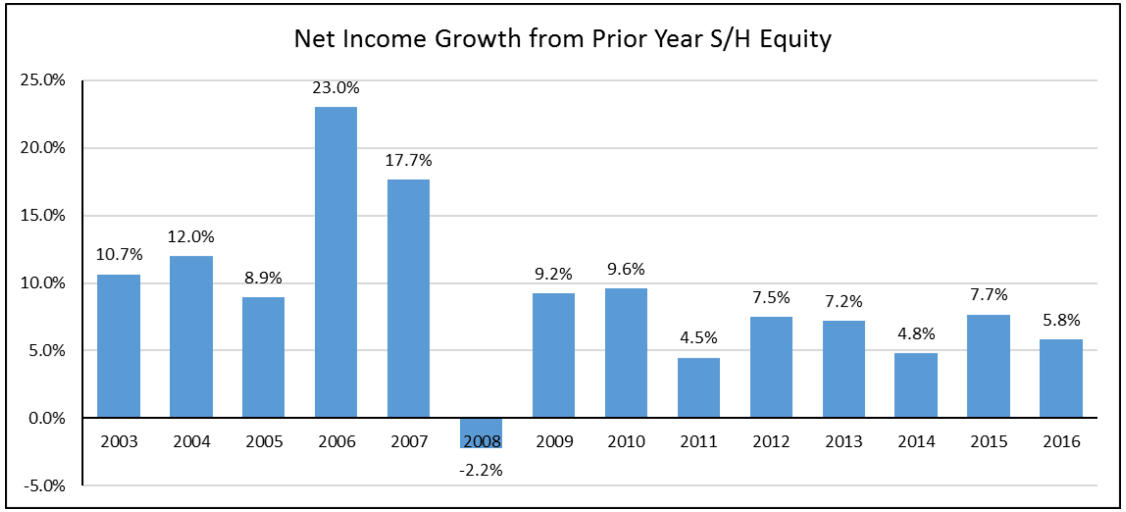
What Has Been Historical Drivers of BVPS Growth?

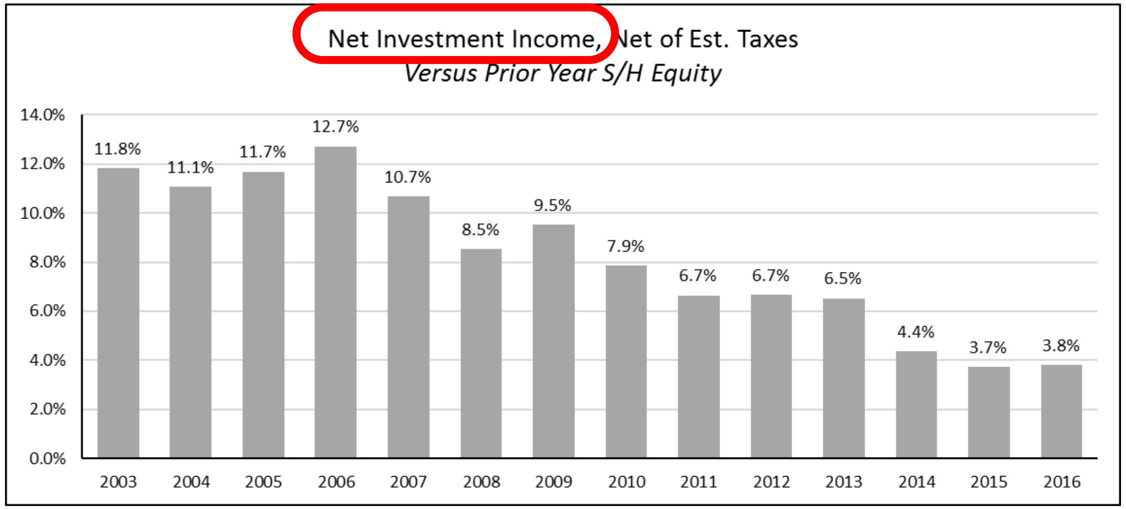
- My analysis is that 73% of BV growth has come from net income, 27% from OCI
- Of the net income, here are the dominant contributors:
  - Net Investment Income (3x as much of a contributor compared to U/W profits)
  - Underwriting Profits
  - Markel Ventures (< 1% run rate in 2017 as a contributor to BVPS growth)
  - Offset by interest expense amortization charges
- Of the OCI, the dominant contributor is unrealized gains in the investment portfolio, largely the equities, net of estimated taxes
  - Flow through of the realized selling in the investment portfolio, which increases net income on the P&L, but decreases the unrealized gains in OCI if there is a net realized gain

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
S/H Equity Growth	$ 274,224	$ 48,930	$ 590,960	$ 344,769	$ (460,488)	$ 593,686	$ 397,163	$ 215,990	$ 501,144	$ 454,721	$ 921,241	$ 239,332	$ 626,777
Growth Y/Y %	19.8%	3.0%	34.7%	15.0%	-17.4%	27.2%	14.3%	6.8%	14.8%	11.7%	13.8%	3.2%	8.0%
Due to Net Income	12.0%	8.9%	23.0%	17.7%	-2.2%	9.2%	9.6%	4.5%	7.5%	7.2%	4.8%	7.7%	5.8%
Due to OCI	7.9%	-6.0%	11.6%	-2.7%	-15.2%	18.0%	4.7%	2.3%	7.3%	4.5%	9.0%	-4.5%	2.2%

Net Income: Largest Driver of BVPS Growth

- 73% of the BV growth due to net income
- Despite being known for their underwriting skill, the vast majority of the BVPS growth was due to the interest income and dividends received from the investment portfolio
- This chart may be very telling in terms of understanding why BV growth has slowed over the last 15 years
  - Investment portfolio leverage to SH Equity has declined
  - And thus, NII contribution to BV growth for that year has decline
- From 2002-2007, Net Investment Income (interest income + dividends from equities) contributed 10-13% per year. In other words, if they didn't earn any return on anything else, they would've increased BV by 10-13% CAGR during that time period.
- Now, it adds incremental BV contribution of *less* than 4%, which is about 1/3 of what it was 15 years ago.





What Drives Net Income?

- The largest contributor to BVPS growth is net investment income
  - About $400m pre-tax, per year, around $300m post-tax (estimated)
  - Historical BVPS growth was much higher due specifically to the fixed income leverage-to- SH Equity, not as much the Equity portfolio
  - As investment leverage has declined, BVPS growth has come down
- Net Investment Income, a function of:
  - Fixed income yields and reinvestment yields
  - Equity yields and amount in equities
  - Taxation - how much is in tax-free municipal versus the 35% corporate tax on dividends, interest
- Current issues are:
  - Fixed income yields have been coming down, as bonds mature and current rates are low
  - Premiums are not growing organically, and thus the fixed income leverage to SH Equity has been coming down from previous years
  - More and more of the growth in BVPS is coming from OCI, which is tied directly to the performance of the equity portfolio (stock market)
  - What happens if the stock market takes a tumble, how does this impact BVPS growth?
  - Current valuations in the public and private markets are elevated, and thus there is less activity in MKL Ventures (except for a few deals here and there) and the public equity portfolio is under-invested, at 0.55x (+/-) compared to the goal of 0.65x
  - In order to grow BVPS at double digit clips in this environment, would need to use the excess cash on the balance sheet + current MKL stock to make another acquisition (I think this is an actual possibility, based on their desire to grow BVPS and lack of investment opportunities)

Thinking About Future BVPS Growth:

- To think about future BV growth, may be helpful to think of different scenarios and how net income will be influenced
  - If interest rates higher, MKL has about $4 billion in ST investments and cash (unrestricted) earning about $10 million a year on (0.25% ROR), and they would be more inclined to put the capital to work. Currently, with rates low, they are purposely being more patient and feel the opportunity cost is minimal
  - If they write more casualty insurance: fixed income to SH Equity leverage could increase, as casualty is more long-tailed
  - If they write more property insurance: fixed income to SH equity leverage could decrease, as it is more short-tailed. Also - could decrease the duration of the fixed income portfolio (meaning lower yields on portfolio). This would make the balance sheet more volatile.
  - At current scenario, they are earning about $275m - $300m post-tax from interest and dividends. Considering the lack of reinvestment options in fixed income markets, the lack of insurance organic growth, the higher valuation in both public and private equity markets, the cash flow likely to accumulate in ST investments and cash for the time being. This is good (they are being patient, are disciplined) and bad (temporarily under-earning, market could stay this way for some time, in which they are under-earnings and continuing to accumulate cash. Maybe this leads them to become impatient?)

Estimating Current BVPS Growth:

Assumptions:

- No large M&A deal
- Current soft insurance market
- Minimal core premium growth
- Increased focus on underwriting profits due to other circumstances requiring the need of more contribution of U/W profits
- Some growth in MKL Ventures
- Fixed income leverage-to-SH stays around 1.2x, but declines some over time due to anemic premium growth
- Minimal realized gains on investment portfolio as equity dividend yield (at cost) is about 3.2%, but ~25% of the stocks they own do not pay dividends. The remaining 75% of stock portfolio averages 4% dividend yield. This implies they've been held for a period of years, as only 5 of their top 50 holdings has a dividend yield > 3.0%
- Net Investment income = easiest to forecast
- Underwriting profits = forecastable, in a range, barring any large CAT event
- The largest problem I foresee is that there are limited reinvestment opportunities, currently
    - Limited reinvestment back in to equities
    - Limited desire to add much to the fixed income portfolio, as rates are low and premium growth is low
    - Valuations in the private business market is higher, as they've been outbid as others are willing to pay higher valuations

BVPS in "Current Market" State: *Assumptions*

INSURANCE	"Base Case"	LTM
Normalized Earned Premiums: ($000s)		
US Insurance	$2,081,713	$2,192,200
International Insurance	$ 883,480	$ 845,680
Reinsurance	$ 873,181	$ 852,282
Total Earned Premiums	$3,838,374	$3,890,162
Combined Ratio		Avg. 3 Years
US Insurance	95.0%	92.4%
International Insurance	93.0%	91.7%
Reinsurance	97.0%	94.8%
Underwriting Profit	$ 192,125	$ 323,782

Tax Assumptions	
Underwriting	33%
Net Investment Income	25%
Realized Gains	35%
Unrealized G/L	35%

INVESTMENTS	"Base Case"	LTM
Investments: (at Cost)		
Municipals	$4,496,459	
Other Taxable	$5,205,637	
Short Term	$2,178,111	
Equities	$2,555,488	
Q1 Yield (Annualized)		
Municipals	3.55%	
Other Taxable	2.68%	
Short Term	0.91%	
Equities	3.23%	
Interest/ Dividends	Annual Run-Rate	LTM
Municipals	$ 159,508	$ 151,530
Other Taxable	$ 139,552	$ 144,219
Short Term	$ 19,796	$ 9,392
Equities	$ 82,424	$ 70,879
Net Investment Income	$ 401,280	$ 376,020
Realized Sales for Gains, Net Avg. 3 Years		
Realized Sales for Gains	$ 102,761	
Realized Sales for Losses	$ (19,438)	
OTT Impairment	$ (18,885)	
	$ 64,438	
Unrealized G/L in AOCI (pre-tax)		
Fixed Income Performance	0.0%	
Equity Performance	6.0%	
OCI from Unrealized G/L	$ 302,336	

MARKEL VENTURES	LTM	LTM	Growth
EBITDA	$ 175,977	$ 174,049	5%
Depreciation	$ (33,675)	$ (33,675)	
Net Income	$ 60,000	$ 56,098	

Other Assumptions		
Net Investment Income Reinvestment Rate		2.25%
Pension Losses	(in OCI)	$ -
FX Losses	(in OCI)	$ -

Q1 2017 Market Value	
Equities	$ 5,038,933
Fixed Income	$ 10,006,519

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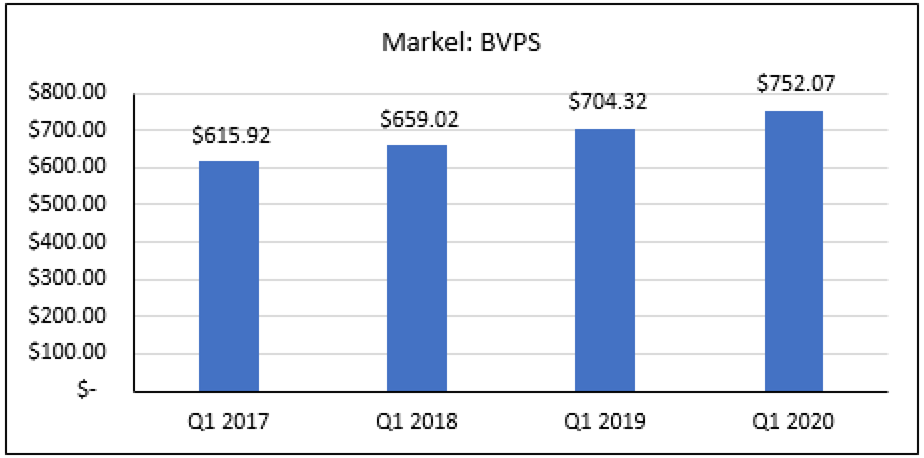
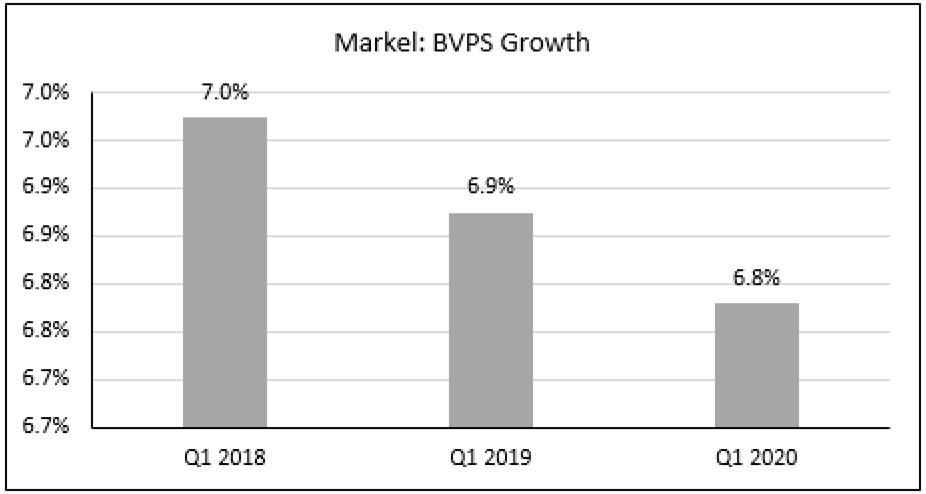
MARKEL

BVPS Growth Estimates:

	Q1 2017	Q1 2018	Q1 2019
Beginning Book Value	$ 8,653,200	$ 9,256,612	$ 9,892,935
Net Income			
U/W Profit	$ 128,724	$ 128,724	$ 128,724
Net Investment Income	$ 300,960	$ 307,732	$ 314,656
Net Realized Gains	$ 41,884	$ 41,884	$ 41,884
Other - Losses	$ (20,000)	$ (17,500)	$ (15,000)
Markel Ventures NI	$ 60,000	$ 63,000	$ 66,150
Amortization Non-Ventures	$ (30,000)	$ (27,500)	$ (25,000)
Interest Expense	$ (133,608)	$ (133,608)	$ (133,608)
Non-Controlling Interests	$ (5,000)	$ (5,000)	$ (5,000)
Net Income Contribution	$ 342,960	$ 357,732	$ 372,805
OCI			
Equity Performance, Net	$ 302,336	$ 320,476	$ 339,705
Fixed Income Perf, Net	$ -	$ -	$ -
(-) Realized Gains, net	$ (41,884)	$ (41,884)	$ (41,884)
OCI, net	$ 260,452	$ 278,592	$ 297,820
Ending Book Value	$ 9,256,612	$ 9,892,935	$ 10,563,561
S/O	*14,046*	*14,046*	*14,046*
BVPS	**$ 659.02**	**$ 704.32**	**$ 752.07**
As A % of Beginning Yr BV			
Net Income Contribution	4.0%	3.9%	3.8%
OCI	3.0%	3.0%	3.0%
BVPS Growth	7.0%	6.9%	6.8%





Notes on BVPS Growth:

- Equity portfolio is under-leveraged. If go from 58% of SH Equity to 65%, would increase the equity portfolio by $585 million. If average dividend is 1.5% and returns are 6%, it would add an extra $2.00 - $2.50 per share in BV (extra 3% +/- on current BV)
- If insurance market became "hard", returns could increase substantially, despite the likelihood that there would be an initial BV impact from whatever "event" (large CAT, for example)
- Interest rates rising would likely be a net benefit, as bond income could be reinvested, and at better yields, and there is an extra $3 - $4 billion in dry powder just waiting. If $3 billion were reinvested at 3% pre-tax yields, it could add about $5 per share in BV due to increases in net investment income without assuming any unrealized gains
- If the market "stays as it is", I would guess that Markel grows BVPS at around 5-8% over the next 3-5 years
    - Could be higher if underwriting is slightly better. For every 1% improvement in total combined ratio, would increase BVPS by $1.75 +/-
    - Markel Ventures could improve at a faster organic clip than 5%
    - Investments could perform better than 6% for equities and 0% for fixed income
- If there is minimal unrealized growth in the portfolio, based on the current state of the market and industry, I would estimate about 4% BVPS growth

- **<u>My guess:</u> if the market stays AS IT IS – Markel will do a decent size acquisition in the next 2-3 years. Could be in the insurance space, or a larger acquisition to bolster Markel Ventures. This would (obviously) increase BVPS growth and provide other reinvestment opportunities.**

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Feedback/Comments are Appreciated.

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