UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2004

or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______ to ______

Commission File Number 001-15811

MARKEL CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	**54-1959284**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification number)**

4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148
(Address of principal executive offices)
(Zip code)

(804) 747-0136
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Number of shares of the registrant's common stock outstanding at April 30, 2004: 9,850,887

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	March 31, 2004	December 31, 2003
	(dollars in thousands)	
ASSETS		
Investments, available-for-sale, at estimated fair value		
Fixed maturities (cost of $3,965,328 in 2004 and $3,840,339 in 2003)	$4,096,252	$3,926,652
Equity securities (cost of $687,810 in 2004 and $638,445 in 2003)	1,055,145	968,777
Short-term investments (estimated fair value approximates cost)	74,222	82,012
Total Investments, Available-For-Sale	5,225,619	4,977,441
Cash and cash equivalents	265,522	372,511
Receivables	507,324	450,920
Reinsurance recoverable on unpaid losses	1,615,752	1,614,114
Reinsurance recoverable on paid losses	162,334	156,493
Deferred policy acquisition costs	207,221	200,284
Prepaid reinsurance premiums	204,333	213,403
Intangible assets	357,317	357,317
Other assets	208,307	189,750
Total Assets	$8,753,729	$8,532,233
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unpaid losses and loss adjustment expenses	$5,085,483	$4,929,713
Unearned premiums	1,087,772	1,060,188
Payables to insurance companies	144,828	150,159
Convertible notes payable (estimated fair value of $106,000 in 2004 and $99,000 in 2003)	91,750	90,601
Senior long-term debt (estimated fair value of $574,000 in 2004 and $562,000 in 2003)	521,983	521,510
Junior Subordinated Deferrable Interest Debentures (estimated fair value of $162,000 in 2004 and $153,000 in 2003)	150,000	150,000
Other Liabilities	197,212	247,783
Total Liabilities	7,279,028	7,149,954
Shareholders' equity		
Common stock	737,784	737,356
Retained earnings	415,049	375,041
Accumulated other comprehensive income		
Net unrealized holding gains on fixed maturities and equity securities, net of tax expense of $174,391 in 2004 and $145,826 in 2003	323,868	270,819
Cumulative translation adjustments, net of tax benefit of $1,077 in 2004 and $505 in 2003	(2,000)	(937)
Total Shareholders' Equity	1,474,701	1,382,279
Commitments and contingencies		
Total Liabilities and Shareholders' Equity	$8,753,729	$8,532,233

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
	(dollars in thousands, except per share data)	
OPERATING REVENUES		
Earned premiums	$505,392	$432,353
Net investment income	48,663	45,233
Net realized gains from investment sales	7,393	6,471
Total Operating Revenues	561,448	484,057
OPERATING EXPENSES		
Losses and loss adjustment expenses	326,334	280,019
Underwriting, acquisition and insurance expenses	160,063	135,636
Amortization of intangible assets	—	2,629
Total Operating Expenses	486,397	418,284
Operating Income	75,051	65,773
Interest expense	12,881	11,395
Income Before Income Taxes	62,170	54,378
Income tax expense	19,894	17,945
Net Income	$ 42,276	$ 36,433
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gains (losses) on securities, net of taxes		
Net holding gains (losses) arising during the period	$ 57,854	$ (15,529)
Less reclassification adjustments for gains included in net income	(4,805)	(4,206)
Net unrealized gains (losses)	53,049	(19,735)
Currency translation adjustments, net of taxes	(1,063)	1,984
Total Other Comprehensive Income (Loss)	51,986	(17,751)
Comprehensive Income	$ 94,262	$ 18,682
NET INCOME PER SHARE		
Basic	$ 4.29	$ 3.70
Diluted	$ 4.29	$ 3.70

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity

	Three Months Ended March 31,	
	2004	**2003**
	(dollars in thousands)	
Common Stock		
Balance at beginning of period	$ 737,356	$ 736,246
Issuance of common stock and other equity transactions	428	205
Balance at end of period	$ 737,784	$ 736,451
Retained Earnings		
Balance at beginning of period	$ 375,041	$ 251,568
Net income	42,276	36,433
Repurchase of common stock	(2,268)	(1)
Balance at end of period	$ 415,049	$ 288,000
Accumulated Other Comprehensive Income		
Unrealized gains		
Balance at beginning of period	$ 270,819	$ 179,170
Net unrealized holding gains (losses) arising during the period, net of taxes	53,049	(19,735)
Balance at end of period	323,868	159,435
Cumulative translation adjustments		
Balance at beginning of period	(937)	(7,873)
Translation adjustments, net of taxes	(1,063)	1,984
Balance at end of period	(2,000)	(5,889)
Balance at end of period	$ 321,868	$ 153,546
Shareholders' Equity at End of Period	$1,474,701	$1,177,997

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2004	**2003**
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net Income	$ 42,276	$ 36,433
Adjustments to reconcile net income to net cash provided by operating activities	12,482	67,172
Net Cash Provided By Operating Activities	54,758	103,605
INVESTING ACTIVITIES		
Proceeds from sales of fixed maturities and equity securities	854,101	880,426
Proceeds from maturities, calls and prepayments of fixed maturities	39,381	53,051
Cost of fixed maturities and equity securities purchased	(1,059,421)	(1,233,462)
Net change in short-term investments	7,790	(25,532)
Other	(1,758)	228
Net Cash Used By Investing Activities	(159,907)	(325,289)
FINANCING ACTIVITIES		
Additions to senior long-term debt	—	198,020
Repayments and repurchases of senior long-term debt	—	(175,000)
Repurchase of common stock	(2,268)	(1)
Other	428	205
Net Cash Provided (Used) By Financing Activities	(1,840)	23,224
Decrease in cash and cash equivalents	(106,989)	(198,460)
Cash and cash equivalents at beginning of period	372,511	444,236
Cash and Cash Equivalents at End of Period	$ 265,522	$ 245,776

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - March 31, 2004

1. Principles of Consolidation

The consolidated balance sheet as of March 31, 2004 and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the three months ended March 31, 2004 and 2003, are unaudited. In the opinion of management, all adjustments necessary for fair presentation of such consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results of operations for the full year. The consolidated balance sheet as of December 31, 2003 was derived from the Company's audited annual consolidated financial statements.

The consolidated financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Company's annual consolidated financial statements and notes. Readers are urged to review the Company's 2003 annual report on Form 10-K for a more complete description of the Company's business and accounting policies.

Certain reclassifications of prior year's amounts have been made to conform with 2004 presentations.

2. Net Income per share

Net income per share was determined by dividing net income by the applicable shares outstanding (in thousands):

	Three Months Ended March 31,	
	2004	**2003**
Net income, as reported (basic and diluted)	$42,276	$36,433
Average common shares outstanding	9,853	9,837
Dilutive potential common shares	4	19
Average diluted shares outstanding	9,857	9,856

3. Stock Compensation Plans

The Company applies the intrinsic value recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, in accounting for stock based compensation plans. The Company has adopted the disclosure-only provisions of Statement No. 123, *Accounting for Stock Based Compensation,* as amended.

Stock based compensation cost, net of taxes, included in net income under APB Opinion No. 25 was $0.5 million and $0.1 million for the quarters ended March 31, 2004 and 2003, respectively. Under the fair value method principles of Statement No. 123, pro forma stock based compensation cost, net of taxes, and pro forma net income would not have differed from reported amounts for the quarters ended March 31, 2004 and 2003. The pro forma impact of stock options issued after 1994 had no effect on basic or diluted net income per share in the periods presented.

4. Reinsurance

The table below summarizes the effect of reinsurance on premiums written and earned (dollars in thousands) :

	Three Months Ended March 31,			
	2004		2003	
	Written	Earned	Written	Earned
Direct	$ 570,114	$ 598,639	$ 571,896	$ 553,281
Assumed	94,741	56,069	72,840	35,320
Ceded	(126,274)	(149,316)	(169,773)	(156,248)
Net premiums	$ 538,581	$ 505,392	$ 474,963	$ 432,353

Incurred losses and loss adjustment expenses are net of reinsurance recoverables (ceded incurred losses and loss adjustment expenses) of $82.9 million and $45.3 million for the three months ended March 31, 2004 and 2003, respectively.

5. Junior Subordinated Deferrable Interest Debentures (8.71% Junior Subordinated Debentures)

On January 8, 1997, the Company arranged the sale of $150 million of Company-Obligated Mandatorily Redeemable Preferred Capital Securities (8.71% Capital Securities) issued under an Amended and Restated Declaration of Trust dated January 13, 1997 (the Declaration) by Markel Capital Trust I (the Trust), a statutory business trust sponsored and wholly-owned by the Company. Proceeds from the sale of the 8.71% Capital Securities were used to purchase the Company's 8.71% Junior Subordinated Debentures due January 1, 2046, issued to the Trust under an indenture dated January 13, 1997 (the Indenture). The 8.71% Junior Subordinated Debentures are the sole assets of the Trust. The Company has the right to defer interest payments on the 8.71% Junior Subordinated Debentures for up to five years. The 8.71% Capital Securities and related 8.71% Junior Subordinated Debentures are redeemable by the Company on or after January 1, 2007. Taken together, the Company's obligations under the Debentures, the Indenture, the Declaration and a guarantee made by the Company provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of distributions and other amounts due on the 8.71% Capital Securities. No other subsidiary of the Company guarantees the 8.71% Junior Subordinated Debentures or the 8.71% Capital Securities. In the event of default under the Indenture, the Trust may not make distributions on, or repurchases of, the Trust's common securities. During a period in which the Company elects to defer interest payments or in the event of default under the Indenture, the Company may not make distributions on, or repurchases of, the Company's capital stock or debt securities ranking equal or junior to the 8.71% Junior Subordinated Debentures.

6. Convertible Notes Payable

During 2001, the Company issued $408.0 million principal amount at maturity, $112.9 million net proceeds, of Liquid Yield Option Notes™ (LYONs). The LYONs are zero coupon senior notes convertible into the Company's common shares under certain conditions, with an initial conversion price of $243.53 per common share. The issue price of $283.19 per LYON represented a yield to maturity of 4.25%. The LYONs mature on June 5, 2031. The Company uses the effective yield method to recognize the accretion of discount from the issue price to the face amount of the LYONs at maturity. The accretion of discount is included in interest expense.

On June 5, 2004, if the price of the Company's common stock is at or below specified thresholds based on a measurement period prior to that date, contingent additional principal will accrue on the LYONs at a rate of either 0.50% or 1.00% per year for a period of two years, depending on the price of the Company's common shares. No contingent additional principal will accrue after June 5, 2006.

The Company will pay contingent cash interest to the holders of the LYONs during the six-month period commencing June 5, 2006 and during any six-month period thereafter if the average market price of a LYON for a specified period equals or exceeds 120% of the sum of the issue price, accrued original issue discount and contingent additional principal, if any, for the LYON.

Each LYON will be convertible into 1.1629 shares of common stock upon the occurrence of any of the following events: if the closing price of the Company's common shares on the New York Stock Exchange exceeds specified levels, if the credit rating of the LYONs is reduced below specified levels, if the Company calls the LYONs for redemption, or if the Company is party to certain mergers or consolidations.

LYONs holders have the right to require the Company to repurchase the LYONs on June 5th of 2004, 2006, 2011, 2016, 2021 and 2026 at their accreted value on these dates as follows:

June 5, 2004	$321.27
June 5, 2006	$349.46
June 5, 2011	$431.24
June 5, 2016	$532.16
June 5, 2021	$656.69
June 5, 2026	$810.36

The Company may choose to pay the purchase price for such repurchases in cash or common shares of the Company. The Company may redeem the LYONs for cash on or after June 5, 2006 at their accreted value.

7. Income Taxes

During the quarter ended March 31, 2004, the Internal Revenue Service (IRS) completed its review of the Company's appeal of the previously issued assessment based upon alleged overstatement of loss reserves for tax returns filed for 1997, 1998 and 1999. The Company's appeal was accepted and the assessment was withdrawn.

8. Comprehensive Income

Other comprehensive income (loss) is composed of net holding gains (losses) on securities arising during the period less reclassification adjustments for gains included in net income. Other comprehensive income (loss) also includes foreign currency translation adjustments. The related tax expense (benefit) on net holding gains (losses) on securities arising during the period was $31.2 million and $(8.4) million for the quarters ended March 31, 2004 and 2003, respectively. The related tax expense on the reclassification adjustments for gains included in net income was $2.6 million and $2.3 million for the quarters ended March 31, 2004 and 2003, respectively. The related tax expense (benefit) on foreign currency translation adjustments was $(0.6) million and $1.1 million for the quarters ended March 31, 2004 and 2003, respectively.

9. Segment Reporting Disclosures

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

All investing activities are included in the Investing segment. Discontinued programs and non-strategic insurance subsidiaries are included in Other for purposes of segment reporting.

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

Segment profit or (loss) for each of the Company's operating segments is measured by underwriting profit or (loss). The property and casualty insurance industry commonly defines underwriting profit or (loss) as earned premiums net of losses and loss adjustment expenses and underwriting, acquisition and insurance expenses. Underwriting profit or (loss) does not replace operating income (loss) or net income (loss) computed in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as a measure of profitability. Underwriting profit or (loss) provides a basis for management to evaluate the Company's underwriting performance. Segment profit for the Investing segment is measured by net investment income and net realized gains or losses.

The Company does not allocate assets to the Excess and Surplus Lines, Specialty Admitted and London Insurance Market operating segments for management reporting purposes. The total investment portfolio, cash and cash equivalents are allocated to the Investing segment. The Company does not allocate capital expenditures for long-lived assets to any of its operating segments for management reporting purposes.

a) Following is a summary of segment disclosures (dollars in thousands):

	Quarter Ended March 31, 2004					
	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Investing	Other	Consolidated
Gross premium volume	$ 362,269	$61,738	$211,046	$ —	$29,802	$ 664,855
Net premiums written	278,001	58,341	177,682	—	24,557	538,581
Earned premiums	$ 275,454	$62,745	$160,007	$ —	$ 7,186	$ 505,392
Losses and loss adjustment expenses	150,089	35,830	134,678	—	5,737	326,334
Underwriting, acquisition and insurance expenses	78,306	21,738	56,264	—	3,755	160,063
Underwriting profit (loss)	47,059	5,177	(30,935)	—	(2,306)	18,995
Net investment income	—	—	—	48,663	—	48,663
Net realized gains from investment sales	—	—	—	7,393	—	7,393
Segment profit (loss)	$ 47,059	$ 5,177	$ (30,935)	$56,056	$ (2,306)	$ 75,051
Interest expense						12,881
Income before income taxes						$ 62,170
U.S. GAAP combined ratio*	83%	92%	119%	—	132%	96%

	Quarter Ended March 31, 2003					
	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Investing	Other	Consolidated
Gross premium volume	$ 365,609	$57,738	$199,690	$ —	$21,699	$ 644,736
Net premiums written	255,695	53,467	147,720	—	18,081	474,963
Earned premiums	$ 236,674	$54,658	$134,238	$ —	$ 6,783	$ 432,353
Losses and loss adjustment expenses	146,221	33,715	88,763	—	11,320	280,019
Underwriting, acquisition and insurance expenses	62,650	19,954	49,231	—	3,801	135,636
Underwriting profit (loss)	27,803	989	(3,756)	—	(8,338)	16,698
Net investment income	—	—	—	45,233	—	45,233
Net realized gains from investment sales	—	—	—	6,471	—	6,471
Segment profit (loss)	$ 27,803	$ 989	$ (3,756)	$51,704	$ (8,338)	$ 68,402
Amortization of intangible assets						2,629
Interest expense						11,395
Income before income taxes						$ 54,378
U.S. GAAP combined ratio*	88%	98%	103%	—	223%	96%

* The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums.

	As of	
	March 31, 2004	December 31, 2003
Segment Assets		
Investing	$5,491,141	$5,349,952
Other	3,262,588	3,182,281
Total Assets	$8,753,729	$8,532,233

10. Goodwill and Other Intangible Assets

As required by Financial Accounting Standards Board Statement No. 142, *Goodwill and Other Intangible Assets*, goodwill is tested at least annually for impairment. The Company completes its annual test during the fourth quarter of each year based upon the results of operations through September 30. There was no indication of goodwill impairment as of March 31, 2004 or December 31, 2003.

Intangible assets (other than goodwill) were fully amortized as of June 30, 2003. The amortization expense for intangible assets was $2.6 million for the quarter ended March 31, 2003.

The carrying amounts of goodwill by reporting unit at both March 31, 2004 and 2003 were as follows: Excess and Surplus Lines, $81.8 million, and London Insurance Market, $275.5 million.

11. Contingencies

On January 31, 2001, the Company received notice of a lawsuit filed in the United States District Court of the Southern District of New York against Terra Nova Insurance Company Limited by Palladium Insurance Limited and Bank of America, N.A. seeking approximately $27 million plus exemplary damages in connection with alleged reinsurance agreements. This matter is still in the discovery phase and is not expected to be ready for trial before late 2004 or 2005. The Company believes it has numerous defenses to this claim, including the defense that the alleged reinsurance agreements and insurance policies were not valid. The Company intends to vigorously defend this matter.

This and other contingencies arise in the normal conduct of the Company's operations. In the opinion of management, the resolutions of these contingencies are not expected to have a material impact on the Company's financial condition or results of operations. However, adverse outcomes are possible and could negatively impact the Company's financial condition or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The accompanying Consolidated Financial Statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of Markel Corporation and all subsidiaries (the Company).

Critical Accounting Policies

Critical accounting policies are defined as those that are both important to the portrayal of the Company's financial condition and results of operations and require management to exercise significant judgment. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of material contingent assets and liabilities, including litigation contingencies, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates, by necessity, are based on assumptions about numerous factors.

Management reviews its estimates and assumptions quarterly, including the adequacy of reserves for unpaid losses and loss adjustment expenses, reinsurance allowance for doubtful accounts, as well as, the recoverability of deferred tax assets and intangible assets and the evaluation of the investment portfolio for other than temporary declines in value. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements.

Readers are urged to review the Company's 2003 annual report on Form 10-K for a more complete description of the Company's Critical Accounting Policies.

The Company

The Company markets and underwrites specialty insurance products and programs to a variety of niche markets. In each of these markets, the Company seeks to be a market leader. The financial goals of the Company are to earn consistent underwriting profits and superior investment returns to build shareholder value.

The Company competes in three segments of the specialty insurance marketplace: the Excess & Surplus Lines, the Specialty Admitted and the London markets. The Excess and Surplus Lines segment is comprised of five underwriting units, the Specialty Admitted segment consists of two underwriting units and the London Insurance Market segment is comprised of the ongoing operations of Markel International.

The Excess and Surplus Lines segment writes property and casualty insurance for non-standard and hard-to-place risks including catastrophe-exposed property, professional liability, products liability, general liability, commercial umbrella and other coverages tailored for unique exposures.

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. The underwriting units in this segment write specialty program insurance for well-defined niche markets and personal and commercial property and liability coverages.

The Company participates in the London market through Markel Capital Limited and Markel International

Insurance Company Limited, two wholly-owned subsidiaries. Markel Capital Limited is the corporate capital provider for Markel Syndicate 3000 at Lloyd's. Markel Syndicate Management Limited, a wholly-owned subsidiary, manages the Company's Lloyd's operations. The London Insurance Market segment writes specialty property, casualty, marine and aviation insurance and reinsurance.

Discontinued lines of business and non-strategic insurance subsidiaries are included in Other for segment reporting purposes. Other consisted primarily of discontinued Markel International programs and Corifrance, a wholly-owned subsidiary, for both quarters ended March 31, 2004 and 2003.

Results of Operations

Three Months ended March 31, 2004 compared to Three Months ended March 31, 2003

Underwriting Results

Following is a comparison of selected data from the Company's operations (dollars in thousands):

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Gross premium volume	$664,855	$644,736
Net premiums written	$538,581	$474,963
Net retention	81%	74%
Earned premiums	$505,392	$432,353
Losses and loss adjustment expenses	$326,334	$280,019
Underwriting, acquisition and insurance expenses	$160,063	$135,636
Underwriting profit*	$ 18,995	$ 16,698
U.S. GAAP Combined Ratios		
Excess and Surplus Lines	83%	88%
Specialty Admitted	92%	98%
London Insurance Market	119%	103%
Other	132%	223%
Markel Corporation (Consolidated)	96%	96%

* See note 9 of the notes to consolidated financial statements for a discussion of underwriting profit or (loss) and a reconciliation of this amount to income (loss) before income taxes. The property and casualty insurance industry commonly defines underwriting profit or (loss) as earned premiums net of losses and loss adjustment expenses and underwriting, acquisition and insurance expenses. Underwriting profit or (loss) does not replace operating income (loss) or net income (loss) computed in accordance with U.S. GAAP as a measure of profitability.

Underwriting profits are a key component of the Company's strategy to grow book value per share. The Company believes that the ability to achieve consistent underwriting profits demonstrates knowledge and expertise, commitment to superior customer service and the ability to manage insurance risk. The Company uses underwriting profit or (loss) as a basis of evaluating its underwriting performance.

The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums. A combined ratio of less than 100% indicates an underwriting profit, while a combined ratio of greater than 100% reflects an underwriting loss.

While the combined ratio was 96% in both quarters ended March 31, 2004 and 2003, the Company's underwriting profit increased 14% to $19.0 million in 2004 from $16.7 million in 2003 as a result of higher earned premium in 2004. The continued improvement in underwriting performance for the Excess and Surplus Lines and Specialty Admitted segments was partially offset by loss development in the London Insurance Market segment during the quarter ended March 31, 2004.

The combined ratio for the Excess and Surplus Lines segment improved for the quarter ended March 31, 2004 primarily due to favorable development of prior years' loss reserves and strong pricing.

The Specialty Admitted segment produced improved underwriting results for the quarter ended March 31, 2004 compared to the same period of 2003 primarily due to lower current year losses.

The underwriting loss for the London Insurance Market segment for the quarter ended March 31, 2004 was $30.9 million compared to $3.8 million for the same period of 2003. The first quarter of 2004 included $30.0 million of loss reserve increases for adverse development from 1997 to 2001 on U.S. casualty reinsurance, financial institution risks and general and professional liability exposures, most of which are no longer written.

The Other underwriting loss for the quarter ended March 31, 2004 was $2.3 million compared to $8.3 million for the same period of 2003. The underwriting loss for the first quarter of 2003 included a $5.0 million allowance for potentially uncollectible reinsurance related to the Company's discontinued operations.

Premiums

While most of the Company's insurance operations continue to achieve rate increases compared to the prior year, rate increases have begun to slow and, in certain lines of business, rates have declined. Lines of business which have experienced rate declines include large direct and reinsurance property accounts, aviation, energy and marine war accounts. Despite these rate reductions, the Company believes that the rates being obtained on these books of business are still at levels that support underwriting profit targets. The Company is committed to maintaining adequate pricing and will not sacrifice its goal of underwriting profitability in order to maintain premium growth. As a result, premium volume may vary when the Company alters its product offerings to maintain or improve underwriting profitability.

Following is a comparison of gross premium volume and earned premiums by significant underwriting segment:

Gross Premium Volume			**Earned Premiums**	
Three Months Ended March 31,			**Three Months Ended March 31,**	
2004	**2003**	***(dollars in thousands)***	**2004**	**2003**
$362,269	$ 365,609	Excess and Surplus Lines	$ 275,454	$ 236,674
61,738	57,738	Specialty Admitted	62,745	54,658
211,046	199,690	London Insurance Market	160,007	134,238
29,802	21,699	Other	7,186	6,783
$664,855	$ 644,736	Total	$ 505,392	$ 432,353

Gross written premium for the quarter ended March 31, 2004 increased 3%, slightly below the Company's anticipated 2004 gross premium growth of 5% to 10%. In total, gross written premium for the Excess and

Surplus Lines and Specialty Admitted segments for the quarter ended March 31, 2004 was flat compared to the same period of 2003. Gross written premium on property business decreased $20 million due to increased market competition. Gross written premium on the casualty book of business at the Investors Brokered Excess and Surplus Lines unit decreased $15 million due to the Company's decision to re-underwrite and re-price this business in response to prior years' loss reserve development during 2003. These decreases were offset by new programs and growth in other casualty business in these two segments. The increase in gross written premium for the London Insurance Market segment was primarily due to movement in foreign currency rates since 2003. Other gross written premiums consisted primarily of Corifrance's writings in 2004 and 2003.

Earned premium for the first quarter of 2004 increased 17% compared to the same period of 2003. This increase is due to higher gross premium volume and higher retentions over the past year in all segments.

Net Retention

The Company purchases reinsurance in order to reduce its retention on individual risks and enable it to write policies with sufficient limits to meet policyholder needs. The Company's underwriting philosophy seeks to offer products with limits that do not require significant amounts of reinsurance. The Company's net retention of gross premium volume increased to 81% in the first quarter of 2004 compared to 74% in the prior year. The increase was primarily due to changes in the mix of premium writings and purchasing lower amounts of reinsurance in both the Excess and Surplus Lines and the London Insurance Market segments during 2004 compared to 2003.

Investment Results

Net investment income for the first quarter of 2004 was $48.7 million compared to $45.2 million in the prior year. In the first quarter of 2004, a larger investment portfolio offset lower investment yields. During the first quarter of 2004, the Company added approximately $49 million on a cost basis to the equity investment portfolio.

In the first quarter of 2004, the Company recognized $7.4 million of net realized gains compared to $6.5 million of net realized gains in 2003. Variability in the timing of realized and unrealized investment gains and losses is to be expected.

Other Expenses

Interest expense for the first quarter of 2004 was $12.9 million compared to $11.4 million for the same period of 2003. The increase was primarily due to the 2003 issuance of $250 million of unsecured senior notes.

For the quarter ended March 31, 2004, the Company's effective tax rate was 32% compared to 33% for the quarter ended March 31, 2003.

Comprehensive Income

Comprehensive income was $94.3 million for the first quarter of 2004 compared to $18.7 million for the same period of 2003. The improvement was primarily due to a significant increase in the market value of the Company's investment portfolio during the first quarter of 2004 compared to a decline in market value during the same period of 2003. Comprehensive income for the first quarter of 2004 includes $1.1 million of losses from currency translation adjustments, net of taxes, compared to gains of $2.0 million for the same period of 2003. The Company attempts to match assets and liabilities in original currencies to mitigate the impact of currency volatility.

Financial Condition as of March 31, 2004

At March 31, 2004, the Company's investment portfolio increased 3% to $5.5 billion from $5.3 billion at December 31, 2003. The Company reported net unrealized gains, net of taxes, on its fixed maturity and equity investments of $323.9 million at March 31, 2004 compared to $270.8 million at December 31, 2003. Equity securities were $1.1 billion, or 19% of the total investment portfolio, at March 31, 2004 compared to $1.0 billion, or 18%, at December 31, 2003.

For the three month period ended March 31, 2004, the Company reported net cash provided by operating activities of $54.8 million, compared to $103.6 million for the same period in 2003. The decrease was primarily due to larger incentive compensation and contingent commission payments in the first quarter of 2004 compared to the same period last year as a result of the strong underwriting performance for the year ended December 31, 2003.

For the three month period ended March 31, 2004, the Company reported net cash used by investing activities of $159.9 million compared to $325.3 million in 2003. The decreased use of cash for investing activities during 2004 was primarily due to decreased operating cash flows.

For the three month period ended March 31, 2004, the Company reported net cash used by financing activities of $1.8 million compared to net cash provided by financing activities of $23.2 million in 2003. The net cash used by financing activities during the first quarter of 2004 was primarily due to the repurchase of 8,200 shares of the Company's common stock. These repurchases were made in anticipation of the future issuance of the Company's common stock to satisfy grants of Restricted Stock Units made to directors and officers under the Markel Corporation Omnibus Incentive Plan. The net cash provided by financing activities during the three month period ended March 31, 2003 was primarily the result of the debt issuance during the first quarter of 2003 partially offset by the repayment of the outstanding balance under the Company's revolving credit facility.

During the second quarter of 2004, holders may require the Company to repurchase some or all of its convertible notes payable. See note 6 of the notes to the consolidated financial statements for further discussion of the Company's convertible notes payable. The Company also expects to reallocate capital and liabilities from certain of its wholly-owned Bermuda subsidiaries to Markel International by means of commutation and reinsurance agreements between the subsidiaries. Additionally, the Company will be required to fund losses at Lloyd's related to closed years of account for syndicates now in run-off. The Company anticipates these transactions may require up to $200 million of cash during 2004.

The Company has access to various liquidity sources including dividends from its insurance subsidiaries, holding company investments and cash, undrawn capacity under its revolving credit facility and access to the debt and equity capital markets. Management believes that the Company has sufficient liquidity to meet its needs.

Shareholders' equity at March 31, 2004 was $1,474.7 million compared to $1,382.3 million at December 31, 2003. Book value increased 7% to $149.70 per share primarily as a result of $42.3 million of net income and a $53.0 million increase in net unrealized investment gains, net of taxes, for the quarter ended March 31, 2004.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign exchange rates and commodity prices. The Company's consolidated balance sheets include assets and liabilities with estimated fair values which are subject to market risk. The primary market risks to the Company are equity price risk associated with investments in equity securities, interest rate risk associated with investments in fixed maturities and foreign exchange risk for its international operations. The Company has no material commodity risk.

The Company primarily manages foreign exchange risk by matching assets and liabilities in each foreign currency as closely as possible. Significant estimations and assumptions are required when establishing insurance balances such as reinsurance recoverables and reserves for unpaid losses and loss adjustment expenses. As a result, matching of assets and liabilities by currency is subject to change as actual results emerge.

The Company's market risks at March 31, 2004 have not materially changed from those identified at December 31, 2003.

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chairman and Chief Executive Officer (CEO) and the Executive Vice President and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15 (Disclosure Controls).

The Company's management, including the CEO and CFO, does not expect that its Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon the Company's controls evaluation, the CEO and CFO have concluded that the Company's Disclosure Controls provide reasonable assurance that the information required to be disclosed by the Company in its periodic reports is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Safe Harbor and Cautionary Statement

This is a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. It also contains general cautionary statements regarding the Company's business, estimates and management assumptions. Future actual results may materially differ from those described in this report because of many factors. Among other things:

- The impact of the events of September 11, 2001 will depend on 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 additional terrorist activities could have a material impact on the Company and the insurance industry;
- The Company's anticipated premium growth is based on current knowledge and assumes no significant man-made or natural catastrophes, no significant changes in products or personnel and no adverse changes in market conditions;
- The Company is legally required to offer terrorism insurance and has attempted to manage its exposure, however, in the event of a covered terrorist attack, the Company could sustain material losses;
- Changing legal and social trends and inherent uncertainties (including but not limited to those uncertainties associated with the Company's asbestos and environmental reserves) in the loss estimation process can adversely impact the adequacy of loss reserves and the allowance for reinsurance recoverables;
- Industry and economic conditions can affect the ability and/or willingness of reinsurers to pay balances due;
- The Company recently completed a review of claims processes at the Investors Brokered Excess and Surplus Line unit. The Company continues to closely monitor this unit and discontinued lines and related reinsurance programs and exposures. Adverse experience in these areas could lead to additional charges;
- Regulatory actions can impede the Company's ability to charge adequate rates and efficiently allocate capital; and
- Economic conditions, interest rates and foreign exchange rate volatility can have a significant impact on the market value of fixed maturity and equity investments as well as the carrying value of other assets and liabilities.

The Company's premium growth, underwriting and investment results have been and will continue to be potentially materially affected by these factors. Additional factors, which could affect the Company, are discussed in the Company's reports on Forms 8-K, 10-Q and 10-K. By making these forward looking statements, the Company is not intending to become obligated to publicly update or revise any forward looking statements whether as a result of new information, future events or other changes. Readers are cautioned not to place undue reliance on any forward looking statements, which speak only as at their dates.

PART II. OTHER INFORMATION

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table summarizes the Company's common stock repurchases for the quarter ended March 31, 2004:

Issuer Purchases of Equity Securities[1]

	(a)	(b)	(c)	(d)
Period	**Total Number of Shares (or Units) Purchased**	**Average Price Paid per Share (or Units)**	**Total Number of Shares (or Units) Purchased as Part Of Publicly Announced Plans Or Programs**	**Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under The Plans or Programs**
01/01/2004-01/31/2004	—	—	—	—
02/01/2004-02/29/2004	—	—	—	—
03/01/2004-03/31/2004	8,200	$276.31	0	—
Total	8,200	$276.31	0	—

[1] All purchases were made via open-market transactions. Such purchases were made in anticipation of the future issuance of common stock to satisfy grants of Restricted Stock Units made to directors and officers under the Markel Corporation Omnibus Incentive Plan. The Company does not have any publicly announced plans or programs to repurchase its common stock.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

The Exhibits to this Report are listed in the Exhibit Index.

(b) On January 29, 2004, the Company filed a report on Form 8-K furnishing under Item 7 and Item 12 a copy of the Company's press release announcing fourth quarter and year-end 2003 financial results.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 5th day of May, 2004.

The Company

By /s/ Alan I. Kirshner

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

By /s/ Anthony F. Markel

Anthony F. Markel
President
(Principal Operating Officer)

By /s/ Steven A. Markel

Steven A. Markel
Vice Chairman

By /s/ Darrell D. Martin

Darrell D. Martin
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit Index

Number	Description
3(i)	Amended and Restated Articles of Incorporation, as amended (3(i))a
3(ii)	Bylaws, as amended (4.2)b
4	Credit Agreement dated September 30, 2003, among Markel Corporation, the lenders named therein and SunTrust Bank, as Administrative Agent (4)c
	The registrant hereby agrees to furnish to the Securities and Exchange Commission a copy of all instruments defining the rights of holders of convertible notes payable and long-term debt of the registrant and subsidiaries shown on the Consolidated Balance Sheet of the registrant at March 31, 2004 and the respective Notes thereto, included in the Quarterly Report on Form 10-Q.
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)*
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)*
32.1	Certification of Principal Executive Officer furnished Pursuant to 18 U.S.C. Section 1350*
32.2	Certification of Principal Financial Officer furnished Pursuant to 18 U.S.C. Section 1350*

a. Incorporated by reference from the exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 10-Q for the quarter ended March 31, 2000.

b. Incorporated by reference from Exhibit 4.2 to S-8 Registration Statement No. 333-107661, dated August 5, 2003.

c. Incorporated by reference from the exhibit shown in parentheses filed with the Commission in the Registrant's report on Form 10-Q for the quarter ended September 30, 2003.

* Filed with this report.

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)/15d-14(a)**

I, Alan I. Kirshner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Markel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 5, 2004

/s/ Alan I. Kirshner

Alan I. Kirshner
Chairman and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Darrell D. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Markel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 5, 2004

/s/ Darrell D. Martin

Darrell D. Martin
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
FURNISHED PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Markel Corporation (the "Company") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan I. Kirshner, Chairman and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alan I. Kirshner

Alan I. Kirshner
Chairman and Chief Executive Officer
May 5, 2004

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
FURNISHED PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Markel Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Darrell D. Martin, Executive Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Darrell D. Martin

Darrell D. Martin
Executive Vice President and Chief Financial Officer
May 5, 2004