SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 June 30, 2003**

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 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 August 1, 2003: 9,845,727

Markel Corporation
Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	June 30, 2003	December 31, 2002
	(dollars in thousands)	
ASSETS		
Investments, available-for-sale, at estimated fair value		
Fixed maturities (cost of $3,486,608 in 2003 and $3,119,814 in 2002)	$3,638,516	$3,251,186
Equity securities (cost of $501,120 in 2003 and $406,635 in 2002)	729,238	550,909
Short-term investments (estimated fair value approximates cost)	103,555	67,821
Total Investments, Available-For-Sale	4,471,309	3,869,916
Cash and cash equivalents	349,307	444,236
Receivables	465,218	408,542
Reinsurance recoverable on unpaid losses	1,502,941	1,586,128
Reinsurance recoverable on paid losses	134,779	144,751
Deferred policy acquisition costs	176,907	150,547
Prepaid reinsurance premiums	227,739	219,665
Intangible assets	357,317	361,444
Other assets	191,096	223,331
Total Assets	$7,876,613	$7,408,560
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unpaid losses and loss adjustment expenses	$4,467,216	$4,366,803
Unearned premiums	1,029,834	937,364
Payables to insurance companies	135,217	122,191
Convertible notes payable (estimated fair value of $99,000 in 2003 and $89,000 in 2002)	88,333	86,109
Long-term debt (estimated fair value of $531,000 in 2003 and $415,000 in 2002)	477,571	404,384
Other liabilities	199,187	182,598
Company-Obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust Holding Solely Junior Subordinated Deferrable Interest Debentures of Markel Corporation (estimated fair value of $143,000 in 2003 and $118,000 in 2002)	150,000	150,000
Total Liabilities	6,547,358	6,249,449
Shareholders' equity		
Common stock	736,531	736,246
Retained earnings	346,855	251,568
Accumulated other comprehensive income		
Net unrealized holding gains on fixed maturities and equity securities, net of tax expense of $133,009 in 2003 and $96,476 in 2002	247,017	179,170
Cumulative translation adjustments, net of tax benefit of $618 in 2003 and $4,239 in 2002	(1,148)	(7,873)
Total Shareholders' Equity	1,329,255	1,159,111
Commitments and contingencies		
Total Liabilities and Shareholders' Equity	$7,876,613	$7,408,560

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(dollars in thousands, except per share data)			
OPERATING REVENUES				
Earned premiums	$438,873	$346,276	$ 871,226	$673,815
Net investment income	45,467	42,576	90,700	84,040
Net realized gains from investment sales	36,732	11,471	43,203	17,095
Total Operating Revenues	521,072	400,323	1,005,129	774,950
OPERATING EXPENSES				
Losses and loss adjustment expenses	279,933	239,268	559,952	473,724
Underwriting, acquisition and insurance expenses	138,157	111,669	273,793	212,918
Amortization of intangible assets	1,498	2,629	4,127	5,426
Total Operating Expenses	419,588	353,566	837,872	692,068
Operating Income	101,484	46,757	167,257	82,882
Interest expense	13,641	10,872	25,036	19,953
Income Before Income Taxes	87,843	35,885	142,221	62,929
Income tax expense	28,988	12,648	46,933	22,655
Net Income	$ 58,855	$ 23,237	$ 95,288	$ 40,274
OTHER COMPREHENSIVE INCOME				
Unrealized gains (losses) on securities, net of taxes				
Net holding gains arising during the period	$111,458	$ 18,090	$ 95,929	$ 9,511
Less reclassification adjustments for gains included in net income	(23,876)	(7,457)	(28,082)	(11,112)
Net unrealized gains (losses)	87,582	10,633	67,847	(1,601)
Currency translation adjustments, net of taxes	4,741	3,783	6,725	3,285
Total Other Comprehensive Income	92,323	14,416	74,572	1,684
Comprehensive Income	$151,178	$ 37,653	$ 169,860	$ 41,958
NET INCOME PER SHARE				
Basic	$ 5.98	$ 2.37	$ 9.68	$ 4.10
Diluted	$ 5.97	$ 2.36	$ 9.66	$ 4.09

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
	(dollars in thousands)	
Common Stock		
Balance at beginning of period	$ 736,246	$ 735,569
Issuance of common stock and other equity transactions	285	519
Balance at end of period	$ 736,531	$ 736,088
Retained Earnings		
Balance at beginning of period	$ 251,568	$ 176,252
Net income	95,288	40,274
Repurchase of common stock	(1)	(6)
Balance at end of period	$ 346,855	$ 216,520
Accumulated Other Comprehensive Income		
Unrealized gains		
Balance at beginning of period	$ 179,170	$ 173,928
Net unrealized holding gains (losses) arising during the period, net of taxes	67,847	(1,601)
Balance at end of period	247,017	172,327
Cumulative translation adjustments		
Balance at beginning of period	(7,873)	(641)
Translation adjustments, net of taxes	6,725	3,285
Balance at end of period	(1,148)	2,644
Balance at end of period	$ 245,869	$ 174,971
Shareholders' Equity at End of Period	$1,329,255	$1,127,579

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net Income	$ 95,288	$ 40,274
Adjustments to reconcile net income to net cash provided by operating activities	163,178	109,689
Net Cash Provided By Operating Activities	258,466	149,963
INVESTING ACTIVITIES		
Proceeds from sales of fixed maturities and equity securities	2,390,739	974,080
Proceeds from maturities, calls and prepayments of fixed maturities	110,188	56,189
Cost of fixed maturities and equity securities purchased	(2,889,405)	(988,516)
Net change in short-term investments	(35,734)	(54,852)
Other	(1,749)	(5,985)
Net Cash Used By Investing Activities	(425,961)	(19,084)
FINANCING ACTIVITIES		
Additions to long-term debt	247,282	165,000
Repayments and repurchases of long-term debt and convertible notes payable	(175,000)	(167,833)
Other	284	138
Net Cash Provided (Used) By Financing Activities	72,566	(2,695)
Increase (decrease) in cash and cash equivalents	(94,929)	128,184
Cash and cash equivalents at beginning of period	444,236	296,781
Cash and Cash Equivalents at End of Period	$ 349,307	$ 424,965

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—June 30, 2003

1. Principles of Consolidation

The consolidated balance sheet as of June 30, 2003, the related consolidated statements of operations and comprehensive income for the quarters and six months ended June 30, 2003 and 2002, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the six months ended June 30, 2003 and 2002, 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, 2002, 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 2002 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 2003 presentations.

2. Net Income per share

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income, as reported (basic and diluted)	$58,855	$23,237	$95,288	$40,274
Average common shares outstanding	9,840	9,825	9,839	9,819
Dilutive potential common shares	22	29	22	30
Average diluted shares outstanding	9,862	9,854	9,861	9,849

3. Reinsurance

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

	Quarter Ended June 30,			
	2003		2002	
	Written	Earned	Written	Earned
Direct	$ 596,913	$ 558,719	$ 500,190	$ 436,783
Assumed	21,942	27,481	23,525	22,521
Ceded	(142,984)	(147,327)	(120,543)	(113,028)
Net premiums	$ 475,871	$ 438,873	$ 403,172	$ 346,276

3. Reinsurance (continued)

	Six Months Ended June 30,			
	2003		2002	
	Written	Earned	Written	Earned
Direct	$1,168,809	$1,112,000	$ 957,131	$ 850,537
Assumed	94,782	62,801	85,230	36,778
Ceded	(312,757)	(303,575)	(265,073)	(213,500)
Net premiums	$ 950,834	$ 871,226	$ 777,288	$ 673,815

Incurred losses and loss adjustment expenses are net of reinsurance recoverables (ceded incurred losses and loss adjustment expenses) of $54.8 million and $61.5 million, respectively, for the quarters ended June 30, 2003 and 2002 and $100.1 million and $158.9 million, respectively, for the six months ended June 30, 2003 and 2002.

4. Company Obligated Mandatorily Redeemable Preferred Securities (8.71% Capital Securities)

On January 8, 1997, the Company arranged the sale of $150 million of 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 $154,640,000 aggregate principal amount of the Company's 8.71% Junior Subordinated Deferrable Interest Debentures (the Debentures) due January 1, 2046, issued to the Trust under an indenture dated January 13, 1997 (the Indenture). The Debentures are the sole assets of the Trust. The Company has the right to defer interest payments on the Debentures for up to five years. The 8.71% Capital Securities and related 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.

5. 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.

5. Convertible Notes Payable (continued)

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.

6. Unsecured Senior Notes

On February 25, 2003, the Company issued $200 million of 6.8% unsecured senior notes due February 15, 2013. The unsecured senior notes were issued under an existing shelf registration statement. Net proceeds to the Company were $198.0 million and were primarily used to repay $175.0 million outstanding under the Company's revolving credit facility. On April 10, 2003, the Company issued an additional $50 million of 6.8% unsecured senior notes, due February 15, 2013, with net proceeds of $49.3 million.

7. Segment Reporting Disclosures

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

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.

7. Segment Reporting Disclosures (continued)

Segment profit or (loss) for each of the Company's underwriting 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 (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, net of expenses, and net realized gains or losses.

The Company does not allocate assets to the Excess and Surplus Lines, Specialty Admitted and London Insurance Market 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 segments for management reporting purposes.

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

	Quarter Ended June 30, 2003					
	Excess and Surplus Lines	**Specialty Admitted**	**London Insurance Market**	**Investing**	**Other**	**Consolidated**
Gross premium volume	$ 371,802	$73,700	$165,888	$ —	$ 7,465	$ 618,855
Net premiums written	265,780	69,320	137,869	—	2,902	475,871
Earned premiums	$ 247,242	$57,416	$129,977	$ —	$ 4,238	$ 438,873
Losses and loss adjustment expenses	149,339	34,217	86,842	—	9,535	279,933
Underwriting, acquisition and insurance expenses	69,037	18,460	45,700	—	4,960	138,157
Underwriting profit (loss)	28,866	4,739	(2,565)	—	(10,257)	20,783
Net investment income	—	—	—	45,467	—	45,467
Net realized gains from investment sales	—	—	—	36,732	—	36,732
Segment profit (loss)	$ 28,866	$ 4,739	$ (2,565)	$82,199	$(10,257)	$ 102,982
Amortization of intangible assets						1,498
Interest expense						13,641
Income before income taxes						$ 87,843
U.S. GAAP combined ratio*	88%	92%	102%	—	342%	95%

7. Segment Reporting Disclosures (continued)

	Quarter Ended June 30, 2002					
	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Investing	Other	Consolidated
Gross premium volume	$ 304,303	$62,086	$156,026	$ —	$ 1,300	$ 523,715
Net premiums written	207,174	57,277	138,147	—	574	403,172
Earned premiums	$ 176,659	$43,606	$119,586	$ —	$ 6,425	$ 346,276
Losses and loss adjustment expenses	114,105	31,764	84,156	—	9,243	239,268
Underwriting, acquisition and insurance expenses	50,632	13,984	44,329	—	2,724	111,669
Underwriting profit (loss)	11,922	(2,142)	(8,899)	—	(5,542)	(4,661)
Net investment income	—	—	—	42,576	—	42,576
Net realized gains from investment sales	—	—	—	11,471	—	11,471
Segment profit (loss)	$ 11,922	$ (2,142)	$ (8,899)	$54,047	$(5,542)	$ 49,386
Amortization of intangible assets						2,629
Interest expense						10,872
Income before income taxes						$ 35,885
U.S. GAAP combined ratio*	93%	105%	107%	—	186%	101%

	Six Months Ended June 30, 2003					
	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Investing	Other	Consolidated
Gross premium volume	$ 737,411	$131,438	$365,578	$ —	$ 29,164	$1,263,591
Net premiums written	521,475	122,787	285,589	—	20,983	950,834
Earned premiums	$ 483,916	$112,074	$264,215	$ —	$ 11,021	$ 871,226
Losses and loss adjustment expenses	295,560	67,932	175,605	—	20,855	559,952
Underwriting, acquisition and insurance expenses	131,687	38,414	94,931	—	8,761	273,793
Underwriting profit (loss)	56,669	5,728	(6,321)	—	(18,595)	37,481
Net investment income	—	—	—	90,700	—	90,700
Net realized gains from investment sales	—	—	—	43,203	—	43,203
Segment profit (loss)	$ 56,669	$ 5,728	$ (6,321)	$133,903	$(18,595)	$ 171,384
Amortization of intangible assets						4,127
Interest expense						25,036
Income before income taxes						$ 142,221
U.S. GAAP combined ratio*	88%	95%	102%	—	269%	96%

7. Segment Reporting Disclosures (continued)

	Six Months Ended June 30, 2002					
	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Investing	Other	Consolidated
Gross premium volume	$ 585,245	$108,608	$326,985	$ —	$21,523	$1,042,361
Net premiums written	397,773	101,205	255,262	—	23,048	777,288
Earned premiums	$ 333,787	$ 82,767	$242,161	$ —	$15,100	$ 673,815
Losses and loss adjustment expenses	222,067	55,650	175,516	—	20,491	473,724
Underwriting, acquisition and insurance expenses	92,500	28,908	87,537	—	3,973	212,918
Underwriting profit (loss)	19,220	(1,791)	(20,892)	—	(9,364)	(12,827)
Net investment income	—	—	—	84,040	—	84,040
Net realized gains from investment sales	—	—	—	17,095	—	17,095
Segment profit (loss)	$ 19,220	$ (1,791)	$ (20,892)	$101,135	$ (9,364)	$ 88,308
Amortization of intangible assets						5,426
Interest expense						19,953
Income before income taxes						$ 62,929
U.S. GAAP combined ratio*	94%	102%	109%	—	162%	102%

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

	As of	
	June 30, 2003	December 31, 2002
Segment Assets		
Investing	$4,820,616	$4,314,152
Other	3,055,997	3,094,408
Total Assets	$7,876,613	$7,408,560

8. Other Comprehensive Income

Other comprehensive income is composed of net holding gains on securities arising during the period less reclassification adjustments for gains included in net income. Other comprehensive income also includes currency translation adjustments. The related tax expense on net holding gains on securities arising during the period was $60.0 million and $51.7 million, respectively, for the quarter and six months ended June 30, 2003 and $9.7 million and $5.1 million, respectively, for the same periods in 2002. The related tax expense on the reclassification adjustments for gains included in net income was $12.9 million and $15.1 million, respectively, for the quarter and six months ended June 30, 2003 and $4.0 million and $6.0 million, respectively, for the same periods in 2002. The related tax expense on the currency translation adjustments was $2.6 million and $3.6 million, respectively, for the quarter and six months ended June 30, 2003 and $2.0 million and $1.8 million, respectively, for the same periods in 2002.

9. Derivative Financial Instruments

The Company held $5.1 million and $100.8 million, respectively, of corporate bonds with embedded put options as of June 30, 2003 and December 31, 2002. These embedded derivatives are clearly and closely related to the host contracts and therefore are not accounted for separately.

10. Goodwill and Other Intangible Assets

The Company completed the transitional goodwill impairment test early in 2002 as required by Financial Accounting Standards Board Statement (Statement) No. 142, *Goodwill and Other Intangible Assets*. Goodwill is also required to be tested annually for impairment under Statement No. 142 and the Company has elected September 30 as its annual review date. The Company determined that there was no indication of goodwill impairment at either testing date in 2002.

Acquired Intangible Assets (dollars in thousands):

	As of June 30, 2003		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Amortized Intangible Assets			
Lloyd’s capacity costs	$ 31,548	$ (31,548)	$ —
Unamortized Intangible Assets			
Goodwill	$ 405,548	$ (48,231)	$ 357,317
Intangible Assets	$ 437,096	$ (79,779)	$ 357,317

	As of December 31, 2002		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Amortized Intangible Assets			
Lloyd’s capacity costs	$ 31,548	$ (27,421)	$ 4,127
Unamortized Intangible Assets			
Goodwill	$ 405,548	$ (48,231)	$ 357,317
Intangible Assets	$ 437,096	$ (75,652)	$ 361,444

The amortization expense for intangible assets was $1.5 million and $4.1 million, respectively, for the second quarter and six months ended June 30, 2003 and $2.6 million and $5.4 million, respectively, for the same periods in 2002. Amortizable intangible assets were fully amortized at June 30, 2003.

10. Goodwill and Other Intangible Assets (continued)

There were no changes in the carrying amounts of goodwill for the second quarter and six month period ended June 30, 2003. The following table shows the carrying amounts of goodwill by reporting unit at June 30, 2003 (dollars in thousands):

	Excess and Surplus Lines	London Insurance Market	Total
Balance as of June 30, 2003	$ 81,770	$ 275,547	$357,317

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 2004. The Company believes it has numerous defenses to these claims, including the defense that the alleged reinsurance agreements and insurance policies were not valid. The Company intends to vigorously defend this matter; however, the outcome cannot be predicted at this time.

The Company has other contingencies that arise in the normal conduct of its 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.

12. 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 Employee*s, 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 $0.2 million and $0.3 million, respectively, for the second quarter and six months ended June 30, 2003 and $0.1 million and $0.3 million, respectively, for the same periods in 2002. 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 quarter and six month period ended June 30, 2003. Pro forma stock based compensation cost, net of taxes, and pro forma net income would have differed from reported amounts by less than $0.1 million for the quarter and six month period ended June 30, 2002. 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.

Critical Accounting Policies

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

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 are necessarily 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.

Unpaid Losses and Loss Adjustment Expenses

The Company accrues liabilities for unpaid losses and loss adjustment expenses based upon estimates of the ultimate amounts payable. As of any balance sheet date, all claims have not yet been reported and some claims may not be reported for many years. As a result, the liability for unpaid losses and loss adjustment expenses includes significant estimates for incurred but not reported claims. Additionally, reported claims are in various stages of the settlement process. Each claim is settled individually based upon its merits and certain claims may take years to settle, especially if legal action is involved.

The Company uses a variety of techniques to establish the liabilities for unpaid losses and loss adjustment expenses, all of which involve significant judgments and assumptions. These techniques include detailed statistical analysis of past claim reporting, settlement activity, claim frequency and severity data, internal loss experience, the experience of clients and industry experience. More judgmental techniques are used in lines when statistical data is insufficient or unavailable. Estimates reflect implicit or explicit assumptions regarding the potential effects of external factors that include economic and social inflation, judicial decisions, law changes and recent trends in these factors. In some of the Company’s markets, and where the Company acts as a reinsurer, the timing and amount of information reported about underlying claims is in the control of third parties. This can also affect estimates and cause re-estimation as new information becomes available.

Reinsurance recoverables recorded with respect to insurance losses ceded to reinsurers under reinsurance contracts are also subject to estimation error. In addition to the factors cited above, estimates of reinsurance recoverables may prove uncollectible if the reinsurer is unable or unwilling to perform under the contract. The ceding of insurance does not legally discharge the ceding company from its primary liability for the full amount of the policies, and the ceding company is required to pay the loss and bear collection risk if the reinsurer fails to meet its obligation under the reinsurance agreement.

The Company’s consolidated balance sheet at June 30, 2003 includes estimated unpaid losses and loss adjustment expenses of $4,467.2 million and reinsurance recoverable on unpaid losses of $1,502.9 million. Due to inherent uncertainties in estimating these amounts, the actual ultimate amounts may differ from the recorded amounts. Future effects from changes in these estimates will be recorded as a component of loss and loss adjustment expenses in the period of the change.

Deferred Income Taxes

The Company records deferred income taxes as assets or liabilities on its consolidated balance sheet to reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and their respective tax bases. At June 30, 2003, a net deferred tax asset of $45 million, net of a valuation allowance of $46 million, was recorded. The valuation allowance was established upon the acquisition of Markel International and is considered necessary due to the uncertainty of realizing a future tax benefit on pre-acquisition net operating losses. The Company’s net operating losses (including pre-acquisition losses) are principally attributable to Markel Capital Limited and can be carried forward indefinitely to offset Markel Capital Limited’s future taxable income. In recording this deferred tax asset, management has made estimates and judgments that future taxable income will be sufficient to realize the value of the deferred tax asset.

Intangible Assets

The Company’s consolidated balance sheet as of June 30, 2003 includes goodwill of acquired businesses of approximately $357 million. This amount has been recorded as a result of prior business acquisitions accounted for under the purchase method of accounting. Under Financial Accounting Standards Board Statement (Statement) No. 142, *Goodwill and Other Intangible Assets*, goodwill is tested for impairment at least annually in lieu of amortization. The Company has elected September 30 as its annual review date.

A significant amount of judgment is required in performing goodwill impairment tests. Such tests include estimating the fair value of the Company’s reporting units. As required by Statement No. 142, the Company compares the estimated fair value of its reporting units with their respective carrying amounts including goodwill. Under Statement No. 142, fair value refers to the amount for which the entire reporting unit may be bought or sold. The Company’s methods for estimating reporting unit values include market quotations, asset and liability fair values and other valuation techniques, such as discounted cash flows and multiples of earnings or revenues. With the exception of market quotations, all of these methods involve significant estimates and assumptions.

Investments

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

Risks and uncertainties are inherent in the Company's other than temporary decline in value assessment methodology. Risks and uncertainties could include but are not limited to: incorrect or overly optimistic assumptions about financial condition or liquidity, incorrect or overly optimistic assumptions about future prospects, inadequacy of any underlying collateral, unfavorable changes in economic or social conditions and unfavorable changes in interest rates or credit ratings.

Results of Operations

Quarter and Six Months ended June 30, 2003 compared to Quarter and Six Months ended June 30, 2002

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: Excess & Surplus Lines, Specialty Admitted and the London Insurance Market. 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 Insurance Market through Markel Capital Limited and Markel International Insurance Company Limited (MIICL), 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 the quarters and six month periods ended June 30, 2003 and 2002.

The Company is currently experiencing what is commonly referred to within the insurance industry as a hard market, that is stricter coverage terms and higher prices. Submissions and premium writings have increased substantially in the Excess and Surplus Lines and Specialty Admitted Markets since 2000. During 2001, premium rates also began to increase in the London Insurance Market. The terrorist attacks of September 11, 2001 continue to have a profound impact on the insurance market.

The Company anticipates that all segments of the specialty insurance marketplace in which it competes will continue to provide a favorable environment for its operations. For 2003 budgeting purposes, the Company anticipates gross premium growth of 15%, with domestic operations slightly higher and international operations slightly lower. Management continues to believe that this is a reasonable growth forecast for the full year. While all of the Company's insurance operations continue to achieve rate increases compared to the prior year, rate increases have begun to slow in certain lines of business. The Company does not intend to relax underwriting standards in hard or soft insurance markets in order to obtain premium volume. Premium volume may vary significantly if the Company alters its product concentration to maintain or improve underwriting profitability.

Following is a comparison of gross premium volume by underwriting segment:

Gross Premium Volume

Quarter Ended June 30,			Six Months Ended June 30,	
2003	**2002**	**(dollars in thousands)**	**2003**	**2002**
$371,802	$304,303	Excess and Surplus Lines	$ 737,411	$ 585,245
73,700	62,086	Specialty Admitted	131,438	108,608
165,888	156,026	London Insurance Market	365,578	326,985
7,465	1,300	Other	29,164	21,523
$618,855	$523,715	Total	$1,263,591	$1,042,361

Second quarter gross premium volume rose 18% to $618.9 million from $523.7 million for the same period in 2002. For the six month period of 2003, gross premium volume grew 21% to $1.3 billion from $1.0 billion in the prior year.

Excess and Surplus Lines gross premium volume increased 22% to $371.8 million in the second quarter of 2003 from $304.3 million a year ago. For the six month period, gross premium volume increased 26% to $737.4 million in 2003 from $585.2 million in 2002. The growth in both periods was due to increased submission activity and price increases in most programs. The most significant areas of growth in the second quarter of 2003 were in the Investors Brokered Excess and Surplus Lines and the Shand Professional/Products Liability units. Gross premium volume for the Investors Brokered Excess and Surplus Lines unit increased 28% to $102.5 million in the second quarter of 2003 from $79.9 million last year. Shand Professional/Products Liability gross premium volume grew 20% to $104.4 million in the second quarter of 2003 from $87.1 million for 2002. The most significant areas of growth in the six month period of 2003 were in the Investors Brokered Excess and Surplus Lines and Essex Excess and Surplus Lines units. For the six month period of 2003, premium volume for the Investors Brokered Excess and Surplus Lines unit increased 37% to $199.7 million from $145.7 million in the prior year. For the six month period of 2003, premium volume for the Essex Excess and Surplus Lines unit increased 20% to $259.5 million from $216.4 million in the prior year. The increase in gross premium volume at the Investors Brokered Excess and Surplus Lines unit for both periods of 2003 was primarily due to growth in the casualty programs. The increase in gross premium volume at the Shand Professional/Products Liability unit in the second quarter of 2003 was primarily due to growth in the special risk and specified medical programs. The increase in gross premium volume at the Essex Excess and Surplus Lines unit for the six month period was primarily due to growth in the casualty and ocean marine programs.

Specialty Admitted Lines gross premium volume in the second quarter of 2003 increased 19% to $73.7 million compared to $62.1 million in 2002. For the six month period, gross premium volume increased 21% to $131.4 million in 2003 from $108.6 million in the prior year. The increase in both periods was primarily due to higher submissions and price increases in most programs.

In the second quarter of 2003, gross premium volume for the London Insurance Market segment increased 6%

to $165.9 million from $156.0 million in 2002. Gross premium volume for the six months ended June 30, 2003 increased 12% to $365.6 million compared to $327.0 million for the same period of 2002. The growth in both periods of 2003 was primarily due to price increases across most programs. The most significant areas of growth were within the professional indemnity and retail underwriting divisions. The increase in both periods of 2003 continued to meet the Company's expectations both in terms of volume and price increases achieved.

During the second quarter of 2003, A.M. Best (Best) upgraded the financial strength rating of MIICL to "A-" (excellent) from "B++" (very good). The rating action was the result of Best's view of the strategic importance of MIICL to the Company, improved risk-adjusted capitalization and improved underwriting performance. The upgrade enables the Company to place business on either MIICL or Markel Syndicate 3000, while offering policyholders excellent levels of security. While the rating upgrade is not anticipated to have a significant impact on the total 2003 gross premium volume for the London Insurance Market segment, the Company intends to move premium writings to MIICL where the underwriting, acquisition and insurance expenses are generally a lower percentage of earned premium than in Markel Syndicate 3000.

Other gross written premiums consisted primarily of Corifrance's writings in both periods of 2003 and 2002.

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 for the second quarter was 77% in 2003 and 2002. Net retention of gross premium volume for the six month period was 75% in 2003 and 2002.

Total operating revenues for the second quarter of 2003 increased to $521.1 million from $400.3 million in the prior year. For the six month period, operating revenues rose to $1,005.1 million from $775.0 million in 2002. The increase in operating revenues for both the second quarter and six month period of 2002 was primarily attributed to higher earned premiums resulting from increasing gross premium volume.

Following is a comparison of earned premiums by underwriting segment:

Earned Premiums

Quarter Ended June 30,			Six Months Ended June 30,	
2003	**2002**	***(dollars in thousands)***	**2003**	**2002**
$247,242	$176,659	Excess and Surplus Lines	$483,916	$333,787
57,416	43,606	Specialty Admitted	112,074	82,767
129,977	119,586	London Insurance Market	264,215	242,161
4,238	6,425	Other	11,021	15,100
$438,873	$346,276	Total	$871,226	$673,815

Earned premiums for the second quarter of 2003 increased 27% to $438.9 million from $346.3 million for the same period in 2002. For the six month period, earned premiums grew 29% to $871.2 million in 2003 from $673.8 in the prior year.

Excess and Surplus Lines earned premiums for the second quarter of 2003 increased 40% to $247.2 million from $176.7 million for the same period in 2002. For the six month period, Excess and Surplus Lines earned premiums grew 45% to $483.9 million in 2003 from $333.8 million in the prior year. The growth in both periods of 2003 was primarily due to higher gross premium volume and higher retentions over the past year in all Excess and Surplus Lines units.

Earned premiums for the Specialty Admitted segment increased 32% to $57.4 million in the second quarter of 2003 from $43.6 million for the same period in 2002. For the six month period, Specialty Admitted earned premiums grew 35% to $112.1 million in 2003 from $82.8 million in the prior year. The increase in 2003 for both periods was primarily due to growth in new programs and higher gross premium volume in existing lines of business over the past year.

London Insurance Market earned premiums increased 9% for the quarter and six month period ended June 30, 2003 from the same periods in 2002. Earned premiums for London Insurance Market were $130.0 million for the second quarter of 2003 up from $119.6 million for the same period in 2002. For the six month period, London Insurance Market earned premiums grew to $264.2 million in 2003 from $242.2 million in the prior year. The growth in 2003 was primarily the result of increased gross premium volume over the past several quarters and higher retentions across most of the underwriting divisions in the London Insurance Market segment.

Other earned premiums decreased in 2003 due to the run off of discontinued programs. Other earned premiums consists primarily of business written by Corifrance in all periods presented.

Second quarter 2003 net investment income was $45.5 million compared to $42.6 million in the prior year. Net investment income for the six month period ended June 30, 2003 was $90.7 million compared to $84.0 million in 2002. In both periods, a larger investment portfolio offset lower investment yields.

In the second quarter of 2003, the Company recognized $36.7 million of net realized gains compared to $11.5 million of net realized gains in 2002. For the six month period of 2003, net realized gains were $43.2 million compared to net realized gains of $17.1 million for the same period last year. Realized gains in both periods of 2003 were primarily the result of the Company's decision to sell certain government securities and buy higher yielding fixed income investments, including tax-exempt municipal bonds. Variability in the timing of realized and unrealized investment gains and losses is to be expected.

Net realized gains in the second quarter of 2003 were partially offset by $3.5 million of realized losses resulting from the write down of a fixed income security. For the six months ended June 30, 2003, net realized gains were partially offset by $15.0 million of realized losses resulting from the write down of one fixed income security and five equity securities to their estimated fair value. These securities were deemed by management to have a decline in value that was other than temporary. For the quarter and six months ended June 30, 2002, management determined there were no securities with a decline in value that was other than temporary. At June 30, 2003, the Company held securities with gross unrealized losses of approximately $9 million, or significantly less than 1% of the Company's total investments, cash and cash equivalents. At June 30, 2003, all of these securities were reviewed and the Company believes there were no indications of impairment.

Total operating expenses for the second quarter of 2003 were $419.6 million compared to $353.6 million in 2002. Total operating expenses for the six month period of 2003 were $837.9 million compared to $692.1 million a year ago. The increase in both periods of 2003 was primarily the result of higher loss and loss adjustment expenses and higher underwriting, acquisition and insurance expenses as a result of higher premium volume compared to the same periods of 2002.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Gross premium volume	$618,855	$523,715	$1,263,591	$1,042,361
Net premiums written	475,871	403,172	950,834	777,288
Net retention	77%	77%	75%	75%
Earned premiums	438,873	346,276	871,226	673,815
Losses and loss adjustment expenses	279,933	239,268	559,952	473,724
Underwriting, acquisition and insurance expenses	138,157	111,669	273,793	212,918
U.S. GAAP Combined Ratios				
Excess and Surplus Lines	88%	93%	88%	94%
Specialty Admitted	92%	105%	95%	102%
London Insurance Market	102%	107%	102%	109%
Other	342%	186%	269%	162%
Markel Corporation (Consolidated)	95%	101%	96%	102%

The U.S. GAAP combined ratio measures the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums. A combined ratio of less than 100% indicates an underwriting profit, while a combined ratio greater than 100% reflects an underwriting loss. See note 7 of the notes to consolidated financial statements for further discussion of segment underwriting profit (loss).

The Company reported a combined ratio of 95% in the second quarter of 2003 compared to a combined ratio of 101% in the second quarter of 2002. For the six month period of 2003, the Company reported a combined ratio of 96% compared to 102% for the same period of 2002.

The combined ratio for Excess and Surplus Lines decreased to 88% for the second quarter and six month period of 2003 from 93% and 94%, respectively, for the same periods of 2002. The improvement for both periods of 2003 resulted primarily from favorable development of prior years' loss reserves in the Essex E&S Lines and the Shand Professional/Products Liability units and lower current year loss ratios on Investors Brokered Excess and Surplus Lines. This favorable development was partially offset by adverse development of prior years' loss reserves in the Investors Brokered Excess and Surplus Lines unit. During the six months ended June 30, 2003, this unit experienced approximately $11 million of adverse development on loss reserves primarily for business written between 1996 and 2000. The Excess and Surplus Lines segment continues to benefit from improved pricing, more restrictive coverage and better risk selection.

The combined ratio for Specialty Admitted was 92% and 95%, respectively, for the second quarter and six month period of 2003 compared to combined ratios of 105% and 102%, respectively, for the same periods of 2002. The improvement in both periods of 2003 was primarily the result of favorable development on prior years' loss reserves. The Company continues to focus on pricing, risk selection and expense control to meet its profitability goals for the Specialty Admitted segment.

The combined ratio for the London Insurance Market segment improved to 102% for the quarter and six months ended June 30, 2003 compared to 107% and 109%, respectively, for the same periods of 2002. The improvement in both periods of 2003 has resulted from a combination of lower loss ratios due to improved risk selection, pricing and the appropriate use of reinsurance and lower expense ratios due to lower commissions and expense control. The London Insurance Market segment combined ratio has steadily improved and the London underwriting units continue to work towards their goal of underwriting profitability.

The underwriting loss from Other, which includes discontinued lines of business, was $10.3 million and $18.6 million, respectively, for the second quarter and six month period ended June 30, 2003 compared to $5.5 million and $9.4 million, respectively, in the same periods of 2002. The increase in the underwriting loss for both periods was primarily due to increases in the allowance for potentially uncollectible reinsurance and run off provisions for discontinued lines of business.

Amortization of intangible assets was $1.5 million in the second quarter of 2003 compared to $2.6 million last year. For the six month period of 2003, amortization of intangible assets was $4.1 million compared to $5.4 million for the same period of 2002. Intangible assets, other than goodwill, were fully amortized at the end of the second quarter of 2003.

Interest expense was $13.6 million for the second quarter of 2003 compared to $10.9 million for the same period of 2002. For the six months ended June 30, 2003, interest expense was $25.0 million compared to $20.0 million for the same period last year. The increase in both periods is primarily due to the Company’s 2003 issuance of $250 million of 6.80% unsecured senior notes, due February 15, 2013. A portion of the net proceeds was used to repay $175 million outstanding under the Company’s revolving credit facility.

For the second quarter and six months ended June 30, 2003, the Company’s effective tax rate was 33% compared to 35% and 36%, respectively, for the second quarter and six month period of 2002. The decrease was primarily due to the elimination during 2002 of non-deductible interest expense as a result of the exchange of previously issued 7.0% and 7.2% senior notes of Markel International Limited, a wholly-owned subsidiary, for newly issued 7.0% and 7.2% senior notes of the Company. During 2003, the Company also increased investment allocations to tax exempt municipal securities.

Comprehensive income was $151.2 million for the second quarter of 2003 compared to $37.7 million for the same period of 2002. For the six month period ended June 30, 2003, comprehensive income was $169.9 million compared to $42.0 million in 2002. The improvement in both periods of 2003 was primarily due to a significant increase in the market value of the Company’s investment portfolio during the second quarter of 2003 and significantly higher net income compared to 2002. Comprehensive income for the second quarter of 2003 includes a $4.7 million gain from currency translation adjustments, net of taxes, compared to a gain of $3.8 million for the same period of 2002. For the six month period of 2003, gains from currency translation adjustments, net of taxes, were $6.7 million compared to gains of $3.3 million for the same period of 2002. The Company attempts to match assets and liabilities in original currencies to mitigate the impact of currency volatility.

Financial Condition as of June 30, 2003

At June 30, 2003, the Company’s investment portfolio increased 12% to $4,820.6 million from $4,314.2 million at December 31, 2002. The Company reported net unrealized gains, net of taxes, on its fixed maturity and equity investments of $247.0 million at June 30, 2003 compared to $179.2 million at December 31, 2002. Equity securities were $729.2 million, or 15% of the total investment portfolio, at June 30, 2003 compared to $550.9 million, or 13%, at December 31, 2002.

For the six month period ended June 30, 2003, the Company reported net cash provided by operating activities of $258.5 million, compared to $150.0 million for the same period in 2002. The increase in cash provided by operations was primarily due to increased cash flows in the Excess and Surplus Lines segment due to growth in gross premium volume and continued underwriting profitability. In addition, as the underwriting loss in the London Insurance Market segment has declined operating cash flows have improved.

For the six month period ended June 30, 2003, the Company reported net cash used by investing activities of $426.0 million compared to $19.1 million in 2002. The increased use of cash for investing activities during 2003 was primarily due to the allocation of increased operating cash flows to the Company's investment portfolio.

For the six month period ended June 30, 2003, the Company reported net cash provided by financing activities of $72.6 million compared to net cash used by financing activities of $2.7 million in 2002. The net cash provided by financing activities during the six month period ended June 30, 2003 was primarily the result of the debt issuances during the first and second quarters of 2003 partially offset by the repayment of the outstanding balance under the Company's revolving credit facility.

During the second quarter, the Company contributed approximately $49 million of capital to Markel Capital Limited to support insurance operations at Markel Syndicate 3000. Subsequent to June 30, 2003, the Company contributed an additional $45 million of capital to MIICL to support premium writings.

Before the end of the year, capital providers at Lloyd's are required to post collateral to support their premium writings for the next year. During the fourth quarter of 2003, the Company anticipates contributing up to $75 million of additional capital to Markel Capital Limited to support Markel Syndicate 3000 premium writings for 2004. The Company's domestic insurance operations may also require capital to support 2004 premium writings. The Company also has $67 million of notes that mature on November 1, 2003. The Company has access to various capital sources including holding company investments and cash, $300 million of undrawn capacity under its revolving credit facility and access to the debt and equity capital markets. The Company has an existing shelf registration statement under which up to $180 million of equity or debt securities may be issued. Management believes the Company has sufficient liquidity to meet its capital needs.

Shareholders' equity at June 30, 2003 was $1,329.3 million compared to $1,159.1 million at December 31, 2002. Book value per common share was $135.07 at June 30, 2003, compared to $117.89 at December 31, 2002. The 2003 increase was primarily the result of $95.3 million of net income and a $67.8 million increase in net unrealized investment gains, net of taxes, during the six months ended June 30, 2003.

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 whose estimated fair values 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 at Markel International. 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 June 30, 2003 have not materially changed from those identified at December 31, 2002.

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 have been no changes in the Company’s internal control over financial reporting during the Company’s most recent fiscal quarter that has materially affected, or is 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 and anticipated improvements in underwriting profitability are based on current knowledge and assume 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 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 continues to closely monitor discontinued lines and 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 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting was held on May 14, 2003, in Richmond, Virginia. At the Annual Meeting, shareholders elected directors for the ensuing year, ratified the selection by the Board of Directors of KPMG LLP as the Company's independent auditors for the year ending December 31, 2003, approved the Company's Omnibus Incentive Plan and approved an amendment to the Company's Bylaws to change the number of directors to not less than three nor more than fifteen. The results of the meeting were as follows:

Election of Directors	**For**	**Withheld**
Alan I. Kirshner	7,880,250	920,917
Anthony F. Markel	7,838,088	963,079
Steven A. Markel	7,883,867	917,300
Darrell D. Martin	7,887,550	913,617
Douglas E. Eby	8,546,940	254,227
Thomas S. Gayner	7,881,221	919,946
Leslie A. Grandis	7,528,162	1,273,005
Stewart M. Kasen	8,491,351	309,816
Gary L. Markel	7,571,560	1,229,607
Jay M. Weinberg	8,508,928	292,239

Ratification of Selection of Auditors:

For	**Against**	**Abstentions and Brokers Non-Votes**
8,535,523	258,686	6,958

Approval of Omnibus Incentive Plan:

For	**Against**	**Abstentions and Brokers Non-Votes**
7,984,409	685,365	131,393

Approval of Bylaw Amendment:

For	**Against**	**Abstentions and Brokers Non-Votes**
8,573,460	116,174	111,533

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

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

(b)(1) On April 9, 2003, the Company filed a report on form 8-K reporting under Item 5 and Item 7 related to the issuance of $50 million principal amount of 6.8% Senior Notes due 2013.

(b)(2) On April 30, 2003, the Company filed a report on Form 8-K furnishing under Item 7 and Item 9 (Item 12) a copy of the Company’s press release announcing first quarter 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 6th day of August, 2003.

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 (3.1)a
3(ii)	Bylaws, as amended (4.2)b
4(i)	Credit Agreement dated December 21, 1999, among Markel Corporation, the lenders named therein and First Union National Bank, as Agent (4(i))c
4(ii)	First Amendment dated February 4, 2000, to Credit Agreement dated December 21, 1999 among Markel Corporation, the lenders named therein and First Union National Bank, as Agent (4(ii))c
4(iii)	Second Amendment and Consent dated March 17, 2000, to Credit Agreement dated December 21, 1999 among Markel Corporation, the lenders named therein and First Union National Bank, as Agent (4(iii))c
4(iv)	Third Amendment dated August 2, 2000, to Credit Agreement dated December 21, 1999 among Markel Corporation, the lenders named therein and First Union National Bank, as Agent (4(iv))c
4(v)	Fourth Amendment dated March 23, 2001, to Credit Agreement dated December 21, 1999 among Markel Corporation, the lenders named therein and First Union National Bank, as Agent (4(v))c
4(vi)	Fifth Amendment dated June 6, 2003, to Credit Agreement dated December 21, 1999 among Markel Corporation, the lenders named therein and Wachovia Bank, National Association (formerly known as First Union National Bank), as Agent
	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 June 30, 2003 and the respective Notes thereto, included in the Quarterly Report on Form 10-Q.
10.1	Markel Corporation Omnibus Incentive Plan d
10.2	Executive Employment Agreement between Markel Corporation and Thomas S. Gayner dated as of June 1, 2003
10.3	2003 Incentive Compensation Arrangement for Thomas S. Gayner
10.4	Restricted Stock Unit Award for Thomas S. Gayner
10.5	Executive Employment Agreement between Markel Corporation and Paul W. Springman dated as of June 1, 2003
10.6	2003 Incentive Compensation Arrangement for Paul W. Springman
10.7	Restricted Stock Unit Award for Paul W. Springman
10.8	Form of Restricted Stock Unit Award for Directors
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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, 2002.

d. Incorporated by reference from Appendix B to the Registrant's Proxy Statement for the Annual Meeting of Shareholders held on May 14, 2003.