MARKEL CORP
Form DEF 14A
April 01, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

Markel Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials. ¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

Reg. (S) 240.14a-101.

SEC 1913 (3-99)

Notice of Annual Meeting of Shareholders

To the Shareholders of Markel Corporation:

Notice is hereby given that the 2005 Annual Meeting of Shareholders of Markel Corporation (the Company) will be held at the Jefferson Hotel, Franklin & Adams Streets, Richmond, Virginia, on Monday, May 23, 2005, starting at 4:30 p.m.

The purposes for which the meeting is being held are:

1. To elect a Board of Directors consisting of 8 persons to serve for the ensuing year;

2. To ratify or reject the selection by the Audit Committee of the Board of Directors of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2005;

3. To consider the adoption of the Markel Corporation Executive Bonus Plan; and

4. To transact such other business as may properly come before the meeting.

It is important that your shares be represented and voted. Shareholders, whether or not they expect to attend the meeting in person, are requested to date, sign and return the accompanying proxy card in the envelope provided, on which no postage is needed if mailed in the United States.

A copy of the Company s Annual Report to Shareholders for the year ended December 31, 2004 is being mailed to you with this Notice and the Proxy Statement.

You are cordially invited to attend the meeting.

By Order of the Board of Directors

Leslie A. Grandis

Secretary

March 31, 2005

4521 Highwoods Parkway

Glen Allen, Virginia 23060

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 23, 2005

The accompanying proxy is solicited by and on behalf of the Board of Directors of Markel Corporation (the Company) for use at the Annual Meeting of Shareholders of the Company to be held May 23, 2005, or any adjournments of the meeting, for the purposes set forth in this Proxy Statement and the attached Notice of Annual Meeting of Shareholders. This Proxy Statement and the related form of proxy are first being mailed to the shareholders of the Company on or about March 31, 2005. The Board of Directors has fixed the close of business on March 24, 2005, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and any adjournments. Each holder of record of the Company s Common Stock, no par value (the Common Stock), on the record date will be entitled to one vote for each share then registered in his or her name with respect to each matter properly brought before the meeting. As of the close of business on the record date, 9,840,273 shares of Common Stock were outstanding and entitled to vote at the meeting.

If sufficient proxies are not returned in response to this solicitation, supplementary solicitations may also be made by mail, telephone, electronic communication or personal interview by directors, officers and employees of the Company, none of whom will receive additional compensation for these services. The Company may retain an outside proxy solicitation firm to assist in the solicitation of proxies, but at this time does not have plans to do so. Costs of solicitation of proxies will be borne by the Company, which will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in forwarding proxy materials to the beneficial owners of shares held by them.

The shares represented by all properly executed proxies received by the Secretary of the Company will be voted as set forth in the proxy or as the shareholder otherwise directs in the proxy. Any proxy may be revoked at any time before the shares to which it relates are voted, either by written notice (which may be in the form of a substitute proxy bearing a later date delivered to the secretary of the meeting) or by attending the meeting and voting in person.

March 31, 2005

PRINCIPAL SHAREHOLDERS

The following table and footnotes set forth information with respect to beneficial ownership of equity securities of the Company as of February 3, 2005, except as otherwise noted, by (i) each director; (ii) each person named in the Summary Compensation Table; (iii) each person known to the Company to be the beneficial owner of more than 5% of its outstanding Common Stock; and (iv) all directors and persons named in the Summary Compensation Table as a group. For purposes of this table, beneficial ownership includes, as required by applicable regulations, shares over which a person has or shares voting or investment power. Except as otherwise indicated, each of the persons named below has sole voting and investment power with respect to the shares of Common Stock beneficially owned by that person.

AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP

Name	Direct Ownership	Other Ownership	Total Beneficial Ownership	Percent
Alan I. Kirshner	61,714[a]	240[b]	61,954	*
Anthony F. Markel	302,769[c]	27,561[d]	330,330	3.35%
Steven A. Markel	301,054	147,282[e]	448,336	4.55%
Darrell D. Martin	38,243	3,500[b]	41,743	*
Thomas S. Gayner	23,842[f]	2,447[g]	26,289	*
Paul W. Springman	17,448[f]	4,200[b]	21,648	*
J. Alfred Broaddus, Jr.	-0-[h]	-0-	-0-	*
Douglas C. Eby	6,201[i]	[j]	6,201	*
Leslie A. Grandis	18,019[i]	525[b]	18,544	*
Stewart M. Kasen	10,817[i]		10,817	*
Jay M. Weinberg	1,048[i]		1,048	*
All directors and persons named in the Summary Compensation Table as a group	781,155	185,755	966,910	9.82%
Robert E. Torray & Co., Inc., Torray Corp., Robert E. Torray, Douglas C. Eby, 7501 Wisconsin Avenue, Suite 1100 Bethesda, MD 20814	683,156[j]			6.94%
Ariel Capital Management, LLC., 200 E. Randolph Drive, Suite 2900 Chicago, IL 60601	1,371,607[k]			13.93%

* Less than 1% of class

[a] Includes 20,000 shares pledged by Mr. Kirshner to secure delivery obligations under prepaid variable forward contracts.

[b] Owned by spouse as to which beneficial ownership is disclaimed.

[c] Includes 46,001 shares pledged by Mr. Anthony Markel to secure delivery obligations under prepaid variable forward contracts.

[d] Includes 9,491 shares held in Grantor Retained Annuity Trusts for which Mr. Anthony F. Markel is trustee and partial beneficiary. Includes 2,443 shares held in trust for his children and for which Mr. Anthony F. Markel is trustee and partial beneficiary. Includes 9,627 shares held as trustee for the benefit of Mr. Anthony F. Markel s children as to which he disclaims beneficial ownership. Includes 6,000 shares held by Mr. Markel s wife as to which shares he disclaims beneficial ownership.

[e] Includes 4,375 shares held as trustee and partial beneficiary of a testamentary trust, 81,726 shares held as co-trustee for the benefit of the Lewis C. Markel Residuary Trust, 22,936 shares held as co-trustee for the benefit of Mr. Kirshner s children, 23,845 shares held as co-trustee for the benefit of Mr. Anthony F. Markel s children, and 14,400 shares held as trustee under a trust for non-employee directors under the Company s 1989 Stock Option Plan, as to all of which shares Mr. Markel disclaims beneficial ownership.

[f] Excludes 1,238 Restricted Stock Units subject to vesting requirements.

[g] Includes 447 shares held as trustee for the benefit of his wife and 2,000 shares held by Mr. Gayner s wife as to all of which shares Mr. Gayner disclaims beneficial ownership.

[h] Excludes 1,000 Restricted Stock Units granted to Mr. Broaddus which vest ratably over a five-year period from the date of grant (August 2004) but will not be issued until 2009.

[i] Excludes 1,000 Restricted Stock Units which vest ratably over a five-year period from the date of grant (May 2003) but will not be issued until 2008.

[j] Based upon an Amended Schedule 13G filed by the named individuals and entities on February 14, 2005. Robert E. Torray & Co., Inc. has shared voting and investment power with respect to these shares. In accordance with written procedures adopted by his employer, Mr. Douglas C. Eby, President of Robert E. Torray & Co., Inc., exercises no voting or investment control over these Markel shares and accordingly Mr. Eby disclaims beneficial ownership as to these shares.

[k] Based upon an Amended Schedule 13G filed on February 14, 2005.

ELECTION OF DIRECTORS

Nominees

A board of eight directors is to be elected at the meeting to serve until the next annual meeting of shareholders and the election and qualification of their successors. The Company s Board of Directors presently consists of eight directors. All Board members are expected to attend the Company s annual meeting absent unusual circumstances. Each of the nominees named below, except Mr. Broaddus who joined the Board in August 2004, attended the Company s annual meeting in 2004.

Each of the nominees has consented to being named as a nominee in this Proxy Statement, has agreed to serve if elected, and has furnished to the Company the information set forth in the following table.

It is expected that each of the nominees will be able to serve, but in the event that any nominee is unable to serve for any reason (which event is not now anticipated), the proxies reserve discretion to vote or refrain from voting for a substitute nominee or nominees.

Shareholders may withhold authority to vote for any of the nominees on the accompanying proxy. In the election of directors, the eight nominees receiving the greatest number of votes will be elected even if they do not receive a majority. Abstentions and broker non-votes will count towards a quorum but will have no effect on any action taken at the meeting.

Name, Age, Positions with the Company or Principal Occupation For Past Five Years, and Other Information	**Director Since**
ALAN I. KIRSHNER, 69 Chairman of the Board of Directors and Chief Executive Officer since September 1986. President from 1979 to March 1992.	1978
ANTHONY F. MARKEL, 63 President and Chief Operating Officer since March 1992. Executive Vice President from 1979 to March 1992. Director of Hilb, Rogal & Hobbs Company.	1978
STEVEN A. MARKEL, 56 Vice Chairman since March 1992. Treasurer from October 1986 to August 1993. Executive Vice President from October 1986 to March 1992. Director of S&K Famous Brands, Inc.	1978
J. ALFRED BROADDUS, JR., 65 Private Investor; President of Federal Reserve Bank of Richmond from 1993 to 2004. Director of Albemarle Corporation, Owens & Minor, Inc. and T. Rowe Price Group Inc.	2004
DOUGLAS C. EBY, 45 President of Robert E. Torray & Co. Inc., an independent money management firm located in Bethesda, Maryland since 1992. Vice President of The Torray Fund, an investment fund managed by The Torray Corporation.	2001
LESLIE A. GRANDIS, 60	1987

Secretary since February 1989. Partner, McGuireWoods LLP, Richmond, Virginia, attorneys-at-law, since 1974. Director of Cornerstone Realty Income Trust, Inc.; CSX Trade Receivables Corporation.

STEWART M. KASEN, 65	1987
President, CEO and Director, S&K Famous Brands, Inc., Richmond, Virginia, since April 2002.	
President, Schwarzschild Jewelers, Richmond, Virginia, from September 2001 to April 2002. Private Investor from October 1999 to August 2001. Director of K2 Inc.; Department 56, Inc.; and The Singer Companies.	
JAY M. WEINBERG, 72	2003
Chairman Emeritus, Hirschler Fleischer, a professional corporation, attorneys-at-law; member of firm since 1959. Director of First Capital Bank.	

Section 16(a) Beneficial Ownership Reporting Compliance

During 2004, due to inadvertent oversight, (1) the sale by Alan Kirshner on March 15, 2004 of 6,792 shares of Common Stock under a Rule 10b5-1 trading plan was reported late on Form 4 on March 23, 2004 and (2) the delivery by Anthony Markel on June 1, 2004 of 36,225 shares of Common Stock in satisfaction of a 2-year forward contract was reported late on Form 4 on July 6, 2004.

Family Relationships

Anthony F. Markel and Steven A. Markel are first cousins.

Corporate Governance; Committees of the Board of Directors

The Board of Directors has adopted Corporate Governance Guidelines and written charters for the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. The Corporate Governance Guidelines and the written charters for each of these Committees are published on the Company s website, www.markelcorp.com. Shareholders may also obtain printed copies of the Guidelines and the Committee charters by writing Mr. Bruce Kay, Vice President of Investor Relations, at 4521 Highwoods Parkway, Glen Allen, Virginia, 23060, or by calling (800) 446-6671. The Audit Committee Charter was amended and restated May 11, 2004 and is attached to this proxy statement as Appendix A. A table reflecting Committee membership with the chair of each Committee denoted with an asterisk follows:

	Audit	Compensation	Nominating/Corporate Governance
J. Alfred Broaddus, Jr.	Member		
Douglas C. Eby	Member	Member	Member
Leslie A. Grandis		Member*	Member
Stewart M. Kasen	Member*		Member
Jay M. Weinberg	Member	Member	Member*

The Board has determined that each of Messrs. Broaddus, Eby, Grandis, Kasen and Weinberg are independent of management under applicable New York Stock Exchange rules and certain categorical standards for determining independence adopted by the Nominating/Corporate Governance Committee. Those standards are as follows:

A director is considered independent without further Board determination if the director meets NYSE standards and unless:

The director or a member of his or her immediate family is or has been an employee within the past three years. Employment as an interim Chairman or CEO shall not disqualify a director from being independent following that employment.

The director or a member of his or her immediate family has received, in any 12 month period within the past three years, more than $100,000 in direct compensation from the Company other than director and committee fees and pension or other forms of deferred compensation.

The director or a member of his or her immediate family is, or within the past three years has been, affiliated with or employed in a professional capacity by, a present or former or internal or external auditor of the Company.

The director or a member of his or her immediate family is, or within the past three years has been, employed as an executive officer of another company where any of the Company s present executive officers serve or served at the same time on that company s compensation committee.

The director is an employee, or a member of his or her immediate family is an executive officer, of a company that made payments to or received payments from the Company for property or services in amount which, in any of the last three fiscal years, exceeds the greater of $1,000,000 or 2% of such other company s consolidated gross revenues.

The director or a member of his or her immediate family is an executive officer of a tax exempt organization which in any single fiscal year receives contributions from the Company in an amount greater than $1,000,000.

The director or a member of his or her immediate family receives discounted goods or services from the Company if the value of such discount exceeds $100,000 in any single fiscal year.

For these purposes immediate family means a person s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person s home.

The independent directors meet regularly in executive session without management at each scheduled Board meeting and at such other times as the independent directors deem appropriate. At each meeting of independent directors one of the independent directors serves as the chair or presiding director for that meeting. This role is rotated among independent directors in alphabetical order. Any shareholder wishing to communicate with the independent directors should write to Independent Directors in care of the Company Secretary at 4521 Highwoods Parkway, Glen Allen, Virginia, 23060.

Compensation of Directors

Each non-employee director received for services as a director during 2004 an annual fee of $10,000, plus $1,250 for each regular or special director s meeting attended and reimbursement of expenses incurred in connection with attending meetings. Committee members received a fee of $1,250 for each committee meeting attended on a day other than a regularly scheduled board meeting. Non-employee directors are also eligible to participate, up to the total amount of fees received by the director, in the Company s Employee Stock Purchase and Bonus Plan (the Stock Plan). Under this plan amounts specified by a director are withheld from a director s fees and forwarded to an independent administrator who purchases shares of the Company s Common Stock on behalf of the director participant. In addition the Company provides a bonus of 10% of the net increase in shares owned under the plan in a calendar year. Mr. Eby and Mr. Weinberg participated in the Stock Plan during 2004, purchasing 64 and 72 shares for approximately $18,750 and $21,250, respectively and receiving bonus shares worth $2,264 and $2,575, respectively. The Company also offers loans to all employees to facilitate the purchase of shares under this plan. To comply with the requirements of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), effective as of July 30, 2002 executive officers and directors may no longer receive new loans under the Stock Plan. Messrs. Kasen, Grandis and Eby have previously borrowed under the Stock Plan. See Certain Transactions.

In 1989, the Company established a Stock Option Plan for Non-Employee Directors (the Directors Plan) which provided for one-time automatic awards to non-employee directors of options to purchase 6,000 shares of the Company s Common Stock. This plan terminated, as to future grants, on December 31, 1998. The Directors Plan was amended in early 1999 to permit participants to defer receipt of shares of Common Stock upon exercise of options. Three non-employee directors previously exercised options and deferred receipt of shares under the Directors Plan.

During 2003, non-employee directors (Messrs. Eby, Grandis, Kasen, and Weinberg) were each awarded 1,000 Restricted Stock Units under the Markel Corporation Omnibus Incentive Plan. Each Unit represents the right to receive one share of Common Stock. The Units vest ratably over five years with no shares to be issued until the end of five years. Mr. Broaddus received a similar award upon his appointment to the Board in 2004.

Effective as of the date of the next annual meeting of shareholders (May 23, 2005), the Board has approved a change in the compensation of non-management directors to eliminate all meeting fees and instead provide for an annual meeting fee of $30,000. The Board also expects that upon issuance of shares under previously granted restricted stock unit awards, or if a new non-management director joins the Board, the Board will approve new awards of restricted stock units with the amount and terms of such awards to be determined at that time.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee is appointed by the Board to identify individuals qualified to become Board members; assists the Board in reviewing the independence, skills and characteristics of Board members as well as the size and composition of the Board; recommends to the Board the director nominees for the next annual meeting of shareholders; recommends to the Board director nominees for each committee of the Board; and oversees the governance of the Corporation including recommending to the Board Corporate Governance Guidelines for the Corporation.

While the Committee has not adopted minimum criteria, it considers several qualifications when considering candidates for the Board. Among the most important qualities are personal and professional ethical standards, integrity and values. Candidates should have personal or professional experience which will contribute to the Company s success and they should be committed to representing the long-term interests of all of the shareholders and should not have any interests which conflict with service with the Company. Directors must also have practical wisdom and mature judgment. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time.

Any shareholder wishing to recommend a nominee for consideration, should write to the Chairman of the Nominating/Corporate Governance Committee in care of the Company Secretary at 4521 Highwoods Parkway, Glen Allen, Virginia, 23060.

All of the current nominees for director are standing for reelection to the Board except for Mr. Broaddus who was added to the Board, upon the recommendation of the Nominating/Corporate Governance Committee, in August 2004. Mr. Broaddus was recommended to the Committee by a non-management director.

The Nominating/Corporate Governance Committee held two meetings during 2004.

Code of Conduct

The Board of Directors has adopted a Code of Conduct which is applicable to all directors and associates, including executive officers. The Company has posted the Code of Conduct on its website, www.markelcorp.com. The Company intends to disclose any amendments to the Code of Conduct, as well as any waivers for directors or executive officers, by posting such information on its website. Shareholders may obtain printed copies of the Code of Conduct by writing Mr. Bruce Kay, Vice President of Investor Relations, at 4521 Highwoods Parkway, Glen Allen, Virginia, 23060, or by calling (800) 446-6671.

EXECUTIVE COMPENSATION

Compensation Committee

The Compensation Committee is appointed by the Board to review and approve corporate goals relevant to compensation for executive officers; evaluate executive officer performance and in light of that performance approve annual and long term compensation; administer incentive stock plans and approve or recommend executive incentive compensation plans and equity based plans in which executive officers and members of the Board participate. The Committee also discusses succession planning with the Chief Executive Officer and other executive officers and periodically reports its views to the full Board.

The Compensation Committee held two meetings during 2004.

The following table provides compensation information for the Company s Chief Executive Officer and other executive officers.

SUMMARY COMPENSATION TABLE(1)

Name and Principal Position	Year	Annual Compensation Salary ($)	Bonus ($)	Long Term Compensation Restricted Stock Unit Awards ($)(2)	All Other Compensation ($)(3)
Alan I. Kirshner	2004	474,039	625,000		111,058
	2003	450,000	180,000		99,736
Chairman and CEO	2002	403,462	0		100,947
Anthony F. Markel	2004	474,039	625,000		159,522
	2003	450,000	180,000		145,702
President and COO	2002	403,462	0		131,046
Steven A. Markel	2004	474,039	625,000		122,948
	2003	450,000	180,000		112,594
Vice Chairman	2002	403,462	0		101,737
Darrell D. Martin	2004	437,019	562,500		54,909
	2003	369,616	170,000		43,850
Executive Vice President and CFO	2002	326,923	0		46,079
Thomas S. Gayner	2004	412,019	531,250	398,438	31,835
	2003	400,000	440,000	330,000	27,632
Executive Vice President and Chief Investment Officer	2002	250,000	289,686		28,358
Paul W. Springman	2004	412,019	531,250	398,438	66,846
	2003	400,000	440,000	330,000	54,046
Executive Vice President	2002	343,269	455,000		55,853

(1)

In accordance with applicable rules of the Securities and Exchange Commission, this table excludes all amounts paid under group life, health, hospitalization, medical reimbursement and relocation plans which do not discriminate in scope, terms or operation in favor of persons named in the Summary Compensation Table or directors. This table also excludes for each person named in the Summary Compensation Table the value of perquisites if they do not exceed the lesser of $50,000 or 10% of bonus and salary for such person. See Certain Transactions - Other Transactions.

(2) Mr. Gayner and Mr. Springman received Restricted Stock Units for the years shown with the value reflected in the table above. The number of Units held and their value at December 31, 2004 was 1,238 and $450,632 for each of Mr. Springman and Mr. Gayner. The Units provide for five-year cliff vesting subject to acceleration upon the occurrence of certain events, as more fully described in the Compensation Committee Report on Executive Compensation - Bonus Plan for Executive Officers. Holders of Units are not entitled to receive any dividends prior to vesting and issuance of the shares underlying the Units.

(3) Amounts shown in this column include the Company s contributions under the Company s Retirement Savings (401k) Plan in the amount of $18,450 for each person named in the Summary Compensation Table. In the case of Messrs. Kirshner and Anthony and Steven Markel, the amounts shown also include accruals of $92,608 for Mr. Kirshner, $141,702 for Anthony Markel and $104,498 for Steven Markel pursuant to Employment Agreements which provide for deferred compensation and earnings thereon. Includes for Mr. Martin, Mr. Springman and Mr. Gayner, $23,553, $33,857 and $8,885, respectively, representing the difference between the interest rate charged on loans made to them under the Company s stock loan plans and 120% of the applicable federal long-term rate at the time the loan was made (a rate presumed for certain purposes under Securities and Exchange Commission regulations to be a maximum market rate). Also includes Company Incentive Payments on grandfathered loans under the stock loan program of $12,906, $14,539 and $4,500 for Mr. Martin, Mr. Springman and Mr. Gayner, respectively, see Certain Transactions-Loan Program below. In accordance with applicable rules the information in this footnote relates only to 2004.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Messrs. Grandis, Eby, and Weinberg are members of the Compensation Committee of which Mr. Grandis is Chairman. Historically, the Compensation Committee has had responsibility for establishing and reviewing the compensation of the Chairman and CEO, the Vice-Chairman, the President, and the Executive Vice President & Chief Financial Officer (Senior Executive Officers), and administering incentive stock plans. Beginning in 2003, the Compensation Committee approved compensation for all other executive officers as well as the Senior Executive Officers.

The Company s compensation packages for Executive Officers for 2004 consisted of base salary, annual performance based bonuses, contributions to retirement plans, in the case of Messrs. Kirshner, Anthony Markel and Steven Markel, deferred compensation benefits and in the case of Messrs. Gayner and Springman, performance based bonuses payable in Restricted Stock Units.

In general, base salary levels are set at the minimum levels believed by the Committee to be sufficient to attract and retain qualified executives when considered with other components of the Company s compensation structure. The Company s overall compensation philosophy, which also applies to executive officers, is to establish base salaries at minimum levels deemed to be competitive while providing exceptional performance based bonus opportunities. Annual base salaries for executive officers were set at $500,000 ($450,000 for Mr. Martin) and $425,000 for Messrs. Springman and Gayner effective as of July 1, 2004. In establishing salaries, including Mr. Kirshner s salary as Chief Executive Officer, the Committee considers years of service, level of experience and areas of responsibility, the annual rate of inflation and the Company s operating performance. In conjunction with amendments to their employment agreements described in more detail under Employment Agreements below, base salaries for Messrs. Kirshner, Anthony Markel and Steven Markel were set at $580,000, $554,000 and $540,000, respectively, effective as of January 1, 2005, to reflect the elimination of the ongoing deferral benefit previously available under those individuals employment agreements.

In addition to base salary, the Committee approved a bonus plan for Executive Officers in which cash bonuses are paid based on increases in the book value of the Company s Common Stock (the Executive Bonus Plan). The Committee believes that consistent increases in book value will enhance the value of the Company and will, over time, result in higher stock prices.

Bonus Plan For Executive Officers

Under the Executive Bonus Plan, bonuses for Senior Executive Officers, expressed as a percentage of base salary, are awarded based on a five-year average of the compound growth in book value per share of Common Stock. The five year average compound growth in book value for the year ended December 31, 2004 was 20% and accordingly, bonuses equal to 125% of base salary were paid to Senior Executive Officers for 2004.

In years prior to 2003, Mr. Springman s bonus was based on underwriting results and Mr. Gayner s bonus was based on investment results. The Bonus Plan for Mr. Gayner and Mr. Springman for 2003 and 2004 was similar to that of the Senior Executive Officers but was based on growth in book value per share for the period beginning January 1, 2003 to the measurement date. The two year average compound growth in book value for the year ended December 31, 2004, adjusted to reflect share repurchases, was 20% and accordingly, bonuses equal to 125% of base salary were paid to Mr. Springman and Mr. Gayner for 2004. Amounts paid under the Executive Bonus Plan are reflected in the Summary Compensation Table above.

For calendar year 2005, a sub-committee of the Compensation Committee has established, subject to shareholder approval at the annual meeting, a bonus plan for executive officers based on growth in book value (See, Approval of Markel Corporation Executive Bonus Plan below). For 2005, the subcommittee adopted the following schedule of awards for Senior Executive Officers and, as noted above, similar awards for Mr. Gayner and Mr. Springman which will build to a five year average over time. Book value calculations are subject to adjustment to reflect capital or other transactions after January 1, 2003 which impact reported book value per share. For 2005 base salary will not include the salary adjustments made to reflect the elimination of deferral benefits as described above.

5 Year Average Compound Growth In Book Value Per Share	**Bonus as % of Base Salary**
Under 11%	0%
11%	25%
12%	30%
13%	40%
14%	50%
15%	60%
16%	75%
17%	90%
18%	100%
19%	110%
20%	125%
21%	145%
22%	170%
23%	200%
24%	250%

The subcommittee also approved, pursuant to the Omnibus Incentive Plan, Restricted Stock Units awards for Mr. Springman and Mr. Gayner equal in value to a specified percentage of base salary and based on the compound growth in book value per share. Each Unit represents the right to receive one share of Common Stock. As with the cash bonus award, this Restricted Stock Unit Award is based on growth in book value from January 1, 2003 to the measurement date, with any future awards anticipated to build over time to a five-year average. The Restricted Stock Units provide for cliff vesting (i.e. all at once, not ratably) five years after the end of the year for which the award is made. Early vesting, in whole or in part, may occur in the event of death, disability, retirement, following a change in control and job loss or in the event the Committee determines the executive had an approved termination of employment. In the event of early vesting the shares will generally not be issued until the end of the five year period. The awards and shares received under them may be subject to forfeiture and/or partial recapture if (i) the executive is terminated for cause, (ii) the executive becomes associated with a business which competes with the Company, or (iii) the Committee determines the executive has engaged in conduct detrimental to the interests of the Company.

The value of Restricted Stock Unit awards are reflected in the Summary Compensation Table above.

For calendar year 2005 the subcommittee has awarded Restricted Stock Units to each of Mr. Gayner and Mr. Springman as follows:

Restricted Stock Units, expressed in dollars as a percentage of base salary, will be based on growth in book value per share of Common Stock. For 2005, the relevant measure will be growth in book value per share averaged for the period beginning January 1, 2003 to December 31, 2005. Book value calculations are subject to adjustment to reflect capital or other transactions which impact reported book value per share.

Growth in Book Value Per Share	Value of Restricted Stock Units As % of Base Salary
Under 11%	0%
11%	18.75%
12%	22.5%
13%	30%
14%	37.5%
15%	45%
16%	56.25%
17%	67.5%
18%	75%