

MARKEL CORP
Form 10-Q
May 05, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2010**

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)

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Virginia
(State or other jurisdiction of

54-1959284
(I.R.S. Employer

incorporation or organization)

Identification No.)

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)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of the registrant's common stock outstanding at April 30, 2010: 9,806,051

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****MARKEL CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets**

	March 31, 2010	December 31, 2009
	<i>(dollars in thousands)</i>	
ASSETS		
Investments, available-for-sale, at estimated fair value:		
Fixed maturities (amortized cost of \$5,263,852 in 2010 and \$4,961,745 in 2009)	\$ 5,451,154	\$ 5,112,136
Equity securities (cost of \$930,153 in 2010 and \$843,841 in 2009)	1,544,543	1,349,829
Short-term investments (estimated fair value approximates cost)	342,002	492,581
Investments in affiliates		43,633
Total Investments	7,337,699	6,998,179
Cash and cash equivalents	637,672	850,494
Receivables	303,735	279,879
Reinsurance recoverable on unpaid losses	852,791	886,442
Reinsurance recoverable on paid losses	66,562	65,703
Deferred policy acquisition costs	165,976	156,797
Prepaid reinsurance premiums	67,288	68,307
Goodwill and intangible assets	501,301	502,833
Other assets	406,927	433,262
Total Assets	\$ 10,339,951	\$ 10,241,896
LIABILITIES AND EQUITY		
Unpaid losses and loss adjustment expenses	\$ 5,368,766	\$ 5,427,096
Unearned premiums	745,869	717,728
Payables to insurance companies	70,551	46,853
Senior long-term debt and other debt (estimated fair value of \$1,052,000 in 2010 and \$1,011,000 in 2009)	996,386	963,648
Other liabilities	235,920	294,857
Total Liabilities	7,417,492	7,450,182
Commitments and contingencies		
Shareholders' equity:		
Common stock	872,587	872,876
Retained earnings	1,552,580	1,514,398
Accumulated other comprehensive income	479,056	387,086
Total Shareholders' Equity	2,904,223	2,774,360
Noncontrolling interests	18,236	17,354
Total Equity	2,922,459	2,791,714

Total Liabilities and Equity

\$ 10,339,951 \$ 10,241,896

See accompanying notes to consolidated financial statements.

Table of Contents**MARKEL CORPORATION AND SUBSIDIARIES****Consolidated Statements of Income and Comprehensive Income (Loss)**

	Three Months Ended March 31,	
	2010	2009
	<i>(dollars in thousands,</i>	
	<i>except per share data)</i>	
OPERATING REVENUES		
Earned premiums	\$ 412,135	\$ 457,246
Net investment income	68,402	68,743
Net realized investment gains (losses):		
Other-than-temporary impairment losses	(1,785)	(55,474)
Other-than-temporary impairment losses recognized in other comprehensive income (loss)	(566)	
Other-than-temporary impairment losses recognized in net income	(2,351)	(55,474)
Net realized investment gains, excluding other-than-temporary impairment losses	18,094	291
Net realized investment gains (losses)	15,743	(55,183)
Other revenues	40,439	24,371
Total Operating Revenues	536,719	495,177
OPERATING EXPENSES		
Losses and loss adjustment expenses	260,170	253,411
Underwriting, acquisition and insurance expenses	156,668	181,837
Amortization of intangible assets	3,958	1,472
Other expenses	35,397	22,549
Total Operating Expenses	456,193	459,269
Operating Income	80,526	35,908
Interest expense	17,959	11,817
Income Before Income Taxes	62,567	24,091
Income tax expense	19,361	7,655
Net Income	\$ 43,206	\$ 16,436
Less net income attributable to noncontrolling interests	637	78
Net Income to Shareholders	\$ 42,569	\$ 16,358
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in net unrealized gains on investments, net of taxes:		
Net holding gains (losses) arising during the period	\$ 97,441	\$ (55,034)
Unrealized other-than-temporary impairment losses on fixed maturities arising during the period	731	
Reclassification adjustments for net gains (losses) included in net income	(10,540)	35,503
Change in net unrealized gains on investments, net of taxes	87,632	(19,531)

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Change in currency translation adjustments, net of taxes	4,219	881
Change in net actuarial pension loss, net of taxes	350	296
Total Other Comprehensive Income (Loss)	92,201	(18,354)
Comprehensive Income (Loss)	\$ 135,407	\$ (1,918)
Less comprehensive income attributable to noncontrolling interests	868	78
Comprehensive Income (Loss) to Shareholders	\$ 134,539	\$ (1,996)
NET INCOME PER SHARE		
Basic	\$ 4.34	\$ 1.67
Diluted	\$ 4.33	\$ 1.67

See accompanying notes to consolidated financial statements.

Table of Contents**MARKEL CORPORATION AND SUBSIDIARIES****Consolidated Statements of Changes in Equity**

	Three Months Ended March 31,	
	2010	2009
	<i>(dollars in thousands)</i>	
COMMON STOCK		
Balance at beginning of period	\$ 872,876	\$ 869,744
Restricted stock units expensed	(289)	830
Other		572
Balance at end of period	\$ 872,587	\$ 871,146
RETAINED EARNINGS		
Balance at beginning of period	\$ 1,514,398	\$ 1,297,901
Net income to shareholders	42,569	16,358
Repurchases of common stock	(4,387)	
Balance at end of period	\$ 1,552,580	\$ 1,314,259
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Net unrealized holding gains on investments, net of taxes:		
Balance at beginning of period	\$ 433,241	\$ 58,652
Change in net unrealized holding gains on investments, net of taxes	85,312	(19,531)
Balance at end of period	518,553	39,121
Unrealized other-than-temporary impairment losses on fixed maturities, net of taxes:		
Balance at beginning of period	(15,452)	
Change in unrealized other-than-temporary impairment losses on fixed maturities, net of taxes	2,320	
Balance at end of period	(13,132)	
Cumulative translation adjustments, net of taxes:		
Balance at beginning of period	3,772	(15,416)
Change in currency translation adjustments, net of taxes	3,988	881
Balance at end of period	7,760	(14,535)
Net actuarial pension loss, net of taxes:		
Balance at beginning of period	(34,475)	(30,207)
Change in net actuarial pension loss, net of taxes	350	296
Balance at end of period	(34,125)	(29,911)
Balance at end of period	\$ 479,056	\$ (5,325)
SHAREHOLDERS EQUITY AT END OF PERIOD	\$ 2,904,223	\$ 2,180,080
NONCONTROLLING INTERESTS		
Balance at beginning of period	\$ 17,354	\$ 261

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Net income	637	78
Other	245	59
Balance at end of period	\$ 18,236	\$ 398
TOTAL EQUITY AT END OF PERIOD	\$ 2,922,459	\$ 2,180,478

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2010 2009 <i>(dollars in thousands)</i>	
OPERATING ACTIVITIES		
Net income		\$