

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

FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **June 30, 2020**

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
(State or other jurisdiction of
incorporation or organization)

54-1959284
(I.R.S. Employer
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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, no par value	MKL	New York Stock Exchange

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 July 21, 2020: 13,777,837

Markel Corporation
Form 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(dollars in thousands)

	June 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Investments, at estimated fair value:		
Fixed maturity securities, available-for-sale (amortized cost of \$9,203,517 in 2020 and \$9,448,840 in 2019)	\$ 10,060,472	\$ 9,970,909
Equity securities (cost of \$2,860,729 in 2020 and \$3,266,735 in 2019)	5,664,247	7,590,755
Short-term investments, available-for-sale (estimated fair value approximates cost)	929,272	1,196,248
Total Investments	16,653,991	18,757,912
Cash and cash equivalents	4,833,689	3,072,807
Restricted cash and cash equivalents	793,683	427,546
Receivables	2,362,789	1,847,802
Reinsurance recoverables	5,472,349	5,432,712
Deferred policy acquisition costs	637,760	566,042
Prepaid reinsurance premiums	1,378,802	1,415,857
Goodwill	2,606,507	2,308,548
Intangible assets	1,865,666	1,738,474
Other assets	2,462,390	1,906,115
Total Assets	\$ 39,067,626	\$ 37,473,815
LIABILITIES AND EQUITY		
Unpaid losses and loss adjustment expenses	\$ 15,245,505	\$ 14,728,676
Life and annuity benefits	999,421	985,729
Unearned premiums	4,413,789	4,057,727
Payables to insurance and reinsurance companies	447,970	406,720
Senior long-term debt and other debt (estimated fair value of \$4,175,000 in 2020 and \$3,907,000 in 2019)	3,606,109	3,534,183
Other liabilities	2,729,931	2,504,802
Total Liabilities	27,442,725	26,217,837
Redeemable noncontrolling interests	214,653	177,562
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	591,891	—
Common stock	3,421,845	3,404,919
Retained earnings	6,948,466	7,457,176
Accumulated other comprehensive income	432,351	208,772
Total Shareholders' Equity	11,394,553	11,070,867
Noncontrolling interests	15,695	7,549
Total Equity	11,410,248	11,078,416
Total Liabilities and Equity	\$ 39,067,626	\$ 37,473,815

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>(dollars in thousands, except per share data)</i>				
OPERATING REVENUES				
Earned premiums	\$ 1,360,174	\$ 1,199,461	\$ 2,690,883	\$ 2,403,438
Net investment income	95,615	111,831	183,858	226,013
Net investment gains (losses):				
Net realized investment gains (losses)	(2,812)	(67)	6,926	614
Change in fair value of equity securities	914,055	425,720	(777,124)	1,037,230
Net investment gains (losses)	911,243	425,653	(770,198)	1,037,844
Products revenues	423,581	501,676	775,742	850,470
Services and other revenues	341,402	200,495	587,396	393,839
Total Operating Revenues	3,132,015	2,439,116	3,467,681	4,911,604
OPERATING EXPENSES				
Losses and loss adjustment expenses	713,216	678,120	1,789,564	1,365,866
Underwriting, acquisition and insurance expenses	489,362	462,316	984,525	917,528
Products expenses	364,483	425,138	678,554	744,564
Services and other expenses	284,940	170,796	502,496	345,402
Amortization of intangible assets	37,754	36,300	75,612	76,968
Total Operating Expenses	1,889,755	1,772,670	4,030,751	3,450,328
Operating Income (Loss)	1,242,260	666,446	(563,070)	1,461,276
Interest expense	(45,427)	(41,267)	(90,457)	(81,557)
Net foreign exchange gains (losses)	(21,460)	25,015	56,841	3,151
Income (Loss) Before Income Taxes	1,175,373	650,194	(596,686)	1,382,870
Income tax (expense) benefit	(243,702)	(143,711)	126,981	(298,874)
Net Income (Loss)	931,671	506,483	(469,705)	1,083,996
Net income attributable to noncontrolling interests	(9,903)	(9,185)	(14,290)	(10,271)
Net Income (Loss) to Shareholders	921,768	497,298	(483,995)	1,073,725
Preferred stock dividends	—	—	—	—
Net Income (Loss) to Common Shareholders	\$ 921,768	\$ 497,298	\$ (483,995)	\$ 1,073,725
OTHER COMPREHENSIVE INCOME				
Change in net unrealized gains on available-for-sale investments, net of taxes:				
Net holding gains arising during the period	\$ 172,661	\$ 128,467	\$ 237,038	\$ 280,798
Reclassification adjustments for net gains (losses) included in net income (loss)	(1,385)	803	(198)	557
Change in net unrealized gains on available-for-sale investments, net of taxes	171,276	129,270	236,840	281,355
Change in foreign currency translation adjustments, net of taxes	(1,405)	(3,749)	(14,139)	(1,372)
Change in net actuarial pension loss, net of taxes	884	515	884	1,876
Total Other Comprehensive Income	170,755	126,036	223,585	281,859
Comprehensive Income (Loss)	1,102,426	632,519	(246,120)	1,365,855
Comprehensive income attributable to noncontrolling interests	(10,033)	(9,189)	(14,296)	(10,280)
Comprehensive Income (Loss) to Shareholders	\$ 1,092,393	\$ 623,330	\$ (260,416)	\$ 1,355,575
NET INCOME (LOSS) PER COMMON SHARE				
Basic	\$ 65.81	\$ 36.10	\$ (34.83)	\$ 78.91
Diluted	\$ 65.75	\$ 36.07	\$ (34.83)	\$ 78.85

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (Unaudited)

Quarter Ended June 30, 2020 (in thousands)	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
March 31, 2020	—	13,775	\$ —	\$ 3,419,528	\$ 6,039,474	\$ 261,726	\$ 9,720,728	\$ 11,602	\$ 9,732,330	\$ 155,417
Net income					921,768	—	921,768	3,293	925,061	6,610
Other comprehensive income					—	170,625	170,625	—	170,625	130
Comprehensive Income							1,092,393	3,293	1,095,686	6,740
Issuance of preferred stock	600	—	591,891	—	—	—	591,891	—	591,891	—
Issuance of common stock	—	1	—	—	—	—	—	—	—	—
Repurchase of common stock	—	—	—	—	(78)	—	(78)	—	(78)	—
Restricted stock units expensed	—	—	—	3,615	—	—	3,615	—	3,615	—
Acquisition of Lansing	—	—	—	—	—	—	—	—	—	43,566
Adjustment of redeemable noncontrolling interests	—	—	—	—	(13,073)	—	(13,073)	—	(13,073)	13,073
Purchase of noncontrolling interest	—	—	—	(1,298)	—	—	(1,298)	—	(1,298)	(1,777)
Other	—	—	—	—	375	—	375	800	1,175	(2,366)
June 30, 2020	600	13,776	\$ 591,891	\$ 3,421,845	\$ 6,948,466	\$ 432,351	\$ 11,394,553	\$ 15,695	\$ 11,410,248	\$ 214,653

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (continued) (Unaudited)

Six Months Ended June 30, 2020	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
<i>(in thousands)</i>										
December 31, 2019	—	13,794	\$ —	\$ 3,404,919	\$ 7,457,176	\$ 208,772	\$ 11,070,867	\$ 7,549	\$ 11,078,416	\$ 177,562
Cumulative effect of adoption of ASU No. 2016-13, net of taxes					(3,827)	—	(3,827)	—	(3,827)	—
January 1, 2020	—	13,794	—	3,404,919	7,453,349	208,772	11,067,040	7,549	11,074,589	177,562
Net income (loss)					(483,995)	—	(483,995)	6,594	(477,401)	7,696
Other comprehensive income					—	223,579	223,579	—	223,579	6
Comprehensive Income (Loss)							(260,416)	6,594	(253,822)	7,702
Issuance of preferred stock	600	—	591,891	—	—	—	591,891	—	591,891	—
Issuance of common stock	—	3	—	57	—	—	57	—	57	—
Repurchase of common stock	—	(21)	—	—	(23,943)	—	(23,943)	—	(23,943)	—
Restricted stock units expensed	—	—	—	22,984	—	—	22,984	—	22,984	—
Acquisition of Lansing	—	—	—	—	—	—	—	—	—	43,566
Adjustment of redeemable noncontrolling interests	—	—	—	—	2,940	—	2,940	—	2,940	(2,940)
Purchase of noncontrolling interest	—	—	—	(6,131)	—	—	(6,131)	—	(6,131)	(7,029)
Other	—	—	—	16	115	—	131	1,552	1,683	(4,208)
June 30, 2020	600	13,776	\$ 591,891	\$ 3,421,845	\$ 6,948,466	\$ 432,351	\$ 11,394,553	\$ 15,695	\$ 11,410,248	\$ 214,653

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (continued) (Unaudited)

Quarter Ended June 30, 2019 (in thousands)	Common Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
March 31, 2019	13,856	\$ 3,395,940	\$ 6,338,874	\$ 61,168	\$ 9,795,982	\$ 22,364	\$ 9,818,346	\$ 148,002
Net income			497,298	—	497,298	647	497,945	8,538
Other comprehensive income			—	126,032	126,032	—	126,032	4
Comprehensive Income					623,330	647	623,977	8,542
Issuance of common stock	1	—	—	—	—	—	—	—
Repurchase of common stock	(31)	—	(31,617)	—	(31,617)	—	(31,617)	—
Restricted stock units expensed	—	5,024	—	—	5,024	—	5,024	—
Adjustment to Nephila purchase price allocation	—	—	—	—	—	(8,250)	(8,250)	51
Adjustment of redeemable noncontrolling interests	—	—	3,324	—	3,324	—	3,324	(3,324)
Other	—	—	322	—	322	1,955	2,277	(1,974)
June 30, 2019	13,826	\$ 3,400,964	\$ 6,808,201	\$ 187,200	\$ 10,396,365	\$ 16,716	\$ 10,413,081	\$ 151,297

Six Months Ended June 30, 2019 (in thousands)	Common Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
December 31, 2018	13,888	\$ 3,392,993	\$ 5,782,310	\$ (94,650)	\$ 9,080,653	\$ 19,649	\$ 9,100,302	\$ 174,062
Net income			1,073,725	—	1,073,725	1,405	1,075,130	8,866
Other comprehensive income			—	281,850	281,850	—	281,850	9
Comprehensive Income					1,355,575	1,405	1,356,980	8,875
Issuance of common stock	6	—	—	—	—	—	—	—
Repurchase of common stock	(68)	—	(69,266)	—	(69,266)	—	(69,266)	—
Restricted stock units expensed	—	11,872	—	—	11,872	—	11,872	—
Adjustment to Nephila purchase price allocation	—	—	—	—	—	(8,250)	(8,250)	51
Adjustment of redeemable noncontrolling interests	—	—	21,685	—	21,685	—	21,685	(21,685)
Purchase of noncontrolling interest	—	(3,736)	—	—	(3,736)	—	(3,736)	(5,025)
Other	—	(165)	(253)	—	(418)	3,912	3,494	(4,981)
June 30, 2019	13,826	\$ 3,400,964	\$ 6,808,201	\$ 187,200	\$ 10,396,365	\$ 16,716	\$ 10,413,081	\$ 151,297

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2020	2019
	<i>(dollars in thousands)</i>	
OPERATING ACTIVITIES		
Net income (loss)	\$ (469,705)	\$ 1,083,996
Adjustments to reconcile net income (loss) to net cash provided by operating activities	958,446	(834,838)
Net Cash Provided By Operating Activities	488,741	249,158
INVESTING ACTIVITIES		
Proceeds from sales of fixed maturity securities and equity securities	1,426,776	232,376
Proceeds from maturities, calls and prepayments of fixed maturity securities	359,062	306,095
Cost of fixed maturity securities and equity securities purchased	(448,997)	(487,671)
Net change in short-term investments	268,343	(293,832)
Cost of equity method investments	(5,066)	(215,442)
Proceeds from sales of equity and cost method investments	15,167	2,005
Additions to property and equipment	(50,668)	(49,232)
Proceeds from disposals of fixed assets	589	13,781
Acquisitions, net of cash acquired	(547,847)	(25,230)
Other	36,297	(4,496)
Net Cash Provided (Used) By Investing Activities	1,053,656	(521,646)
FINANCING ACTIVITIES		
Additions to senior long-term debt and other debt	162,935	734,729
Repayment of senior long-term debt and other debt	(92,304)	(113,719)
Repurchases of common stock	(23,943)	(69,266)
Issuance of preferred stock, net	591,891	—
Payment of contingent consideration	(10,167)	(14,113)
Purchase of noncontrolling interests	(14,558)	(9,754)
Distributions to noncontrolling interests	(4,208)	(4,901)
Other	(2,116)	(2,820)
Net Cash Provided By Financing Activities	607,530	520,156
Effect of foreign currency rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(22,908)	(2,634)
Increase in cash, cash equivalents, restricted cash and restricted cash equivalents	2,127,019	245,034
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	3,500,353	2,396,432
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS AT END OF PERIOD	\$ 5,627,372	\$ 2,641,466

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Markel Corporation is a diverse financial holding company serving a variety of niche markets. Markel Corporation's principal business markets and underwrites specialty insurance products. Through its wholly owned subsidiary, Markel Ventures, Inc. (Markel Ventures), Markel Corporation also owns interests in various businesses that operate outside of the specialty insurance marketplace.

a) Basis of Presentation. The consolidated balance sheet as of June 30, 2020 and the related consolidated statements of income (loss) and comprehensive income (loss) and changes in equity for the quarters and six months ended June 30, 2020 and 2019, and the consolidated statements of cash flows for the six months ended June 30, 2020 and 2019 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 entire year. The consolidated balance sheet as of December 31, 2019 was derived from Markel Corporation's audited annual consolidated financial statements.

The accompanying consolidated financial statements have been prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP) and include the accounts of Markel Corporation and its consolidated subsidiaries, as well as any variable interest entities (VIEs) that meet the requirements for consolidation (the Company). All significant intercompany balances and transactions have been eliminated in consolidation. The Company consolidates the results of its Markel Ventures subsidiaries on a one-month lag, with the exception of significant transactions or events that occur during the intervening period. Certain prior year amounts have been reclassified to conform to the current presentation.

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, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements. See note 16.

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. Certain accounting policies were updated to reflect accounting pronouncements that became effective in 2020. See note 2. Readers are urged to review the Company's 2019 Annual Report on Form 10-K for a more complete description of the Company's business and accounting policies.

b) Investments. Available-for-sale investments and equity securities are recorded at estimated fair value. Unrealized gains and losses on available-for-sale investments, net of income taxes, are included in other comprehensive income. Unrealized gains and losses on equity securities, net of income taxes, are included in earnings.

The Company completes a detailed analysis each quarter to assess declines in the fair value of available-for-sale investments. Effective January 1, 2020, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related amendments, which created a new comprehensive credit losses standard, FASB Accounting Standards Codification (ASC) 326, *Financial Instruments—Credit Losses*. Upon adoption of ASC 326, any impairment losses on the Company's available-for-sale investments are recorded as an allowance, subject to reversal, rather than as a reduction in amortized cost, as was required under the previous other-than-temporary impairment (OTTI) model. In accordance with the provisions of ASU No. 2016-13, prior periods have not been restated.

Premiums and discounts are amortized or accreted over the lives of the related fixed maturity securities as an adjustment to the yield using the effective interest method. Dividend and interest income are recognized when earned. Accrued interest receivable is excluded from both the estimated fair value and the amortized cost basis of available-for-sale securities and included within other assets on the Company's consolidated balance sheets. Any uncollectible accrued interest receivable is written off in the period it is deemed uncollectible. Realized investment gains or losses on available-for-sale investments are included in earnings. Realized gains or losses from sales of available-for-sale investments are derived using the first-in, first-out method on the trade date.

c) Receivables. Receivables include amounts receivable from agents, brokers and insureds, which represent premiums that are both currently due and amounts not yet due on insurance and reinsurance policies. Premiums for insurance policies are generally due at inception. Premiums for reinsurance policies generally become due over the period of coverage based on the policy terms. Changes in the estimate of reinsurance premiums written will result in an adjustment to premiums receivable in the period they are determined. Receivables also include amounts receivable from contracts with customers, which represent the Company's unconditional right to consideration for satisfying the performance obligations outlined in the contract.

The Company monitors credit risk associated with receivables, taking into consideration the fact that in certain instances in the Company's insurance operations, credit risk may be reduced by the Company's right to offset loss obligations or unearned premiums against premiums receivable. An allowance is established for amounts deemed uncollectible and receivables are recorded net of this allowance. Following the adoption of ASC 326, as described in note 2, beginning January 1, 2020 the allowance is established for expected credit losses to be recognized over the life of the receivable. The Company considers reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions when estimating the allowance for credit losses. The Company uses information obtained from external sources to forecast short-term changes in macroeconomic conditions that are expected to impact the Company's exposure to credit losses. Any allowance for credit losses is charged to net income in the period the receivable is recorded and revised in subsequent periods to reflect changes in the Company's estimate of expected credit losses.

d) Reinsurance Recoverables. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to significant losses from individual reinsurers. To further reduce credit exposure on reinsurance recoverables, the Company has received collateral, including letters of credit and trust accounts, from certain reinsurers. Collateral related to these reinsurance agreements is available, without restriction, when the Company pays losses covered by the reinsurance agreements. An allowance is established for amounts deemed uncollectible and reinsurance recoverables are recorded net of this allowance. Following the adoption of ASC 326, as described in note 2, beginning January 1, 2020 the allowance is established for expected credit losses to be recognized over the life of the reinsurance recoverable. The Company considers reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions when estimating the allowance for credit losses. The Company uses information obtained from external sources to forecast short-term changes in macroeconomic conditions that are expected to impact the Company's exposure to credit losses. Any allowance for credit losses is charged to net income in the period the recoverable is recorded and revised in subsequent periods to reflect changes in the Company's estimate of expected credit losses.

2. Recent Accounting Pronouncements

Accounting Standards Adopted in 2020

Effective January 1, 2020, the Company adopted ASC 326, *Financial Instruments—Credit Losses*. This new standard replaced the incurred loss model used to measure impairment losses for financial assets measured at amortized cost with a current expected credit loss (CECL) model and also made changes to the impairment model for available-for-sale investments. Under the CECL model, allowances are established for expected credit losses to be recognized over the life of financial assets. Application of the CECL model does not impact the Company's investment portfolio, which is not measured at amortized cost, but it impacts certain of the Company's other financial assets, including its reinsurance recoverables and receivables. ASC 326 also replaced the OTTI model with an impairment allowance model, subject to reversal, for available-for-sale investments, which are measured at fair value. As a result of adopting ASC 326, the Company increased its allowances for credit losses related to its reinsurance recoverables and receivables by \$3.8 million and \$1.0 million, respectively, which was recorded through a cumulative-effect adjustment to retained earnings as of January 1, 2020 (\$3.8 million, net of taxes). The Company continues to apply the previous guidance to 2019 and prior periods.

The following ASUs issued by the FASB are relevant to the Company's operations and were adopted effective January 1, 2020. These ASUs did not have a material impact on the Company's financial position, results of operations or cash flows:

- ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*
- ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*
- ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*

Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. The ASU requires insurance entities with long duration contracts to: (1) review and, if there is a change, update the assumptions used to measure cash flows at least annually, as well as update the discount rate assumption at each reporting date; (2) measure all market risk benefits associated with deposit (or account balance) contracts at fair value; and (3) disclose liability rollforwards and information about significant inputs, judgments, assumptions and methods used in measurement, including changes thereto and the effect of those changes on measurement. In July 2020, the FASB proposed an update to ASU No. 2018-12 to defer its effective date. The proposed update would make the ASU effective for the Company during the first quarter of 2023. ASU No. 2018-12 will, among other things, impact the discount rate used in estimating reserves for the Company's life and annuity reinsurance portfolio, which is in runoff. Currently, the discount rate assumption is locked-in for the life of the contracts, unless there is a loss recognition event. The Company is currently evaluating ASU No. 2018-12 to determine the impact that adopting this standard will have on its consolidated financial statements.

The following ASUs issued by the FASB are relevant to the Company's operations and are not yet effective. These ASUs are not expected to have a material impact on the Company's financial position, results of operations or cash flows:

- ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*
- ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

3. Acquisitions

Lansing Building Products, LLC

In April 2020, the Company acquired a controlling interest in Lansing Building Products, LLC, a supplier of exterior building products and materials to professional contractors throughout the U.S., which simultaneously acquired the distribution business of Harvey Building Products to enhance geographic reach and scale (together, Lansing), bringing the Company's ownership in Lansing to 91%. Under the terms of the acquisition agreement, the Company has the option to acquire the remaining equity interests and the remaining equity interests have the option to sell their interests to the Company in the future. The redemption value of the remaining equity interests is generally based on Lansing's earnings in specified periods preceding the redemption dates. Total consideration for both transactions was \$556.2 million, all of which was cash. The purchase price was preliminarily allocated to the acquired assets and liabilities of Lansing based on estimated fair value at the acquisition date. The Company preliminarily recognized goodwill of \$295.6 million, which is primarily attributable to expected future earnings and cash flow potential of Lansing. The majority of the goodwill recognized is not expected to be deductible for income tax purposes. The Company also preliminarily recognized other intangible assets of \$211.0 million, which includes \$189.0 million of customer relationships and \$22.0 million of trade names, which are expected to be amortized over a weighted average period of 16 years and 14 years, respectively. The Company also recognized redeemable noncontrolling interests of \$43.6 million. Results attributable to Lansing are included in the Company's Market Ventures segment.

The Company has not completed the process of determining the fair value of the assets acquired and liabilities assumed. These valuations are required to be completed within 12 months from the acquisition date. As a result, the fair value recorded for these items is a provisional estimate and may be subject to adjustment. Once completed, any adjustments resulting from the valuations may impact the individual amounts recorded for assets acquired and liabilities assumed, as well as the residual goodwill.

VSC Fire & Security, Inc.

In November 2019, the Company acquired VSC Fire & Security, Inc. (VSC), a provider of comprehensive fire protection, life safety, and low voltage solutions to retailers, commercial campuses, healthcare facilities, and government properties throughout the southeastern United States. Total consideration for the acquisition was \$225.0 million, which included cash of \$204.0 million. Total consideration also included the estimated fair value of contingent consideration the Company expects to pay in 2021 based on VSC's earnings, as defined in the purchase agreement.

As of December 31, 2019, the purchase price was preliminarily allocated to the acquired assets and liabilities of VSC based on estimated fair value at the acquisition date. During the first quarter of 2020, the Company completed the process of determining the fair value of the assets and liabilities acquired with VSC. The Company recognized goodwill of \$124.9 million, which is primarily attributable to expected future earnings and cash flow potential of VSC. All of the goodwill recognized is deductible for income tax purposes. The Company also recognized other intangible assets of \$64.5 million, which includes \$48.0 million of customer relationships, \$14.0 million of trade names and \$2.5 million of other intangible assets, which are being amortized over a weighted average period of 12 years, 12 years and 8 years, respectively. Results attributable to VSC are included in the Company's Market Ventures segment.

4. Investments

a) The following tables summarize the Company's available-for-sale investments. Commercial and residential mortgage-backed securities include securities issued by U.S. government-sponsored enterprises and U.S. government agencies. The net unrealized holding gains in the tables below are presented before taxes and any reserve deficiency adjustments for life and annuity benefit reserves. See note 11.

	June 30, 2020				
<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Allowance for Credit Losses ⁽¹⁾	Estimated Fair Value
Fixed maturity securities:					
U.S. Treasury securities	\$ 343,467	\$ 11,447	\$ (19)	\$ —	\$ 354,895
U.S. government-sponsored enterprises	323,864	50,944	—	—	374,808
Obligations of states, municipalities and political subdivisions	3,852,301	354,186	(1,032)	—	4,205,455
Foreign governments	1,352,962	172,377	(9,943)	—	1,515,396
Commercial mortgage-backed securities	1,730,795	148,218	(35)	—	1,878,978
Residential mortgage-backed securities	836,066	71,299	(35)	—	907,330
Asset-backed securities	8,122	159	—	—	8,281
Corporate bonds	755,940	62,551	(2,960)	(202)	815,329
Total fixed maturity securities	9,203,517	871,181	(14,024)	(202)	10,060,472
Short-term investments	931,555	489	(2,772)	—	929,272
Investments, available-for-sale	\$ 10,135,072	\$ 871,670	\$ (16,796)	\$ (202)	\$ 10,989,744

(1) Effective January 1, 2020, the Company adopted ASC 326 and as a result any impairment losses on the Company's available-for-sale investments are recorded as an allowance, subject to reversal. Prior periods have not been restated to conform with the current year presentation. See note 1.

	December 31, 2019			
<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Fixed maturity securities:				
U.S. Treasury securities	\$ 282,305	\$ 2,883	\$ (402)	\$ 284,786
U.S. government-sponsored enterprises	318,831	23,949	(200)	342,580
Obligations of states, municipalities and political subdivisions	3,954,779	235,915	(812)	4,189,882
Foreign governments	1,415,639	135,763	(9,398)	1,542,004
Commercial mortgage-backed securities	1,761,777	57,450	(1,382)	1,817,845
Residential mortgage-backed securities	855,641	32,949	(517)	888,073
Asset-backed securities	11,042	28	(22)	11,048
Corporate bonds	848,826	47,551	(1,686)	894,691
Total fixed maturity securities	9,448,840	536,488	(14,419)	9,970,909
Short-term investments	1,194,953	1,355	(60)	1,196,248
Investments, available-for-sale	\$ 10,643,793	\$ 537,843	\$ (14,479)	\$ 11,167,157

b) The following tables summarize gross unrealized investment losses on available-for-sale investments by the length of time that securities have continuously been in an unrealized loss position.

	June 30, 2020					
	Less than 12 months		12 months or longer		Total	
	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses
<i>(dollars in thousands)</i>						
Fixed maturity securities:						
U.S. Treasury securities	\$ 7,675	\$ (19)	\$ —	\$ —	\$ 7,675	\$ (19)
Obligations of states, municipalities and political subdivisions	46,271	(1,009)	3,025	(23)	49,296	(1,032)
Foreign governments	173,200	(4,295)	160,104	(5,648)	333,304	(9,943)
Commercial mortgage-backed securities	2,033	(14)	7,425	(21)	9,458	(35)
Residential mortgage-backed securities	3,756	(35)	—	—	3,756	(35)
Asset-backed securities	359	—	—	—	359	—
Corporate bonds	85,245	(1,671)	17,362	(1,289)	102,607	(2,960)
Total fixed maturity securities	318,539	(7,043)	187,916	(6,981)	506,455	(14,024)
Short-term investments	566,873	(2,772)	—	—	566,873	(2,772)
Total	\$ 885,412	\$ (9,815)	\$ 187,916	\$ (6,981)	\$ 1,073,328	\$ (16,796)

At June 30, 2020, the Company held 83 available-for-sale securities with a total estimated fair value of \$1.1 billion and gross unrealized losses of \$16.8 million. Of these 83 securities, 35 securities had been in a continuous unrealized loss position for one year or longer and had a total estimated fair value of \$187.9 million and gross unrealized losses of \$7.0 million. The Company does not intend to sell or believe it will be required to sell these available-for-sale securities before recovery of their amortized cost.

	December 31, 2019					
	Less than 12 months		12 months or longer		Total	
	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses
<i>(dollars in thousands)</i>						
Fixed maturity securities:						
U.S. Treasury securities	\$ 36,862	\$ (361)	\$ 46,518	\$ (41)	\$ 83,380	\$ (402)
U.S. government-sponsored enterprises	24,148	(197)	2,868	(3)	27,016	(200)
Obligations of states, municipalities and political subdivisions	127,836	(702)	6,830	(110)	134,666	(812)
Foreign governments	162,907	(3,393)	159,888	(6,005)	322,795	(9,398)
Commercial mortgage-backed securities	202,530	(1,126)	33,853	(256)	236,383	(1,382)
Residential mortgage-backed securities	11,706	(66)	58,162	(451)	69,868	(517)
Asset-backed securities	—	—	3,632	(22)	3,632	(22)
Corporate bonds	41,847	(1,287)	40,274	(399)	82,121	(1,686)
Total fixed maturity securities	607,836	(7,132)	352,025	(7,287)	959,861	(14,419)
Short-term investments	3,316	(60)	—	—	3,316	(60)
Total	\$ 611,152	\$ (7,192)	\$ 352,025	\$ (7,287)	\$ 963,177	\$ (14,479)

At December 31, 2019, the Company held 201 securities with a total estimated fair value of \$963.2 million and gross unrealized losses of \$14.5 million. Of these 201 securities, 122 securities had been in a continuous unrealized loss position for one year or longer and had a total estimated fair value of \$352.0 million and gross unrealized losses of \$7.3 million.

Following the adoption of ASC 326, as described in note 1, beginning January 1, 2020 the Company completes a detailed analysis each quarter to assess whether the decline in the fair value of any investment below its cost basis is the result of a credit loss. All available-for-sale securities with unrealized losses are reviewed. The Company considers many factors in completing its quarterly review of securities with unrealized losses for credit-related impairment to determine whether a credit loss exists, including the extent to which fair value is below cost, the implied yield to maturity, rating downgrades of the security and whether or not the issuer has failed to make scheduled principal or interest payments. The Company also takes into consideration information about the financial condition of the issuer and industry factors that could negatively impact the capital markets.

If the decline in fair value of an available-for-sale security below its amortized cost is considered to be the result of a credit loss, the Company compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the credit loss, which is recorded as an allowance and recognized in net income. The allowance is limited to the difference between the fair value and the amortized cost of the security. Any remaining decline in fair value represents the non-credit portion of the impairment, which is recognized in other comprehensive income.

The Company also considers whether it intends to sell an available-for-sale security or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost. In these instances, a decline in fair value is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security.

c) The amortized cost and estimated fair value of fixed maturity securities at June 30, 2020 are shown below by contractual maturity.

<i>(dollars in thousands)</i>	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 338,005	\$ 336,972
Due after one year through five years	1,464,733	1,537,573
Due after five years through ten years	2,122,737	2,306,166
Due after ten years	2,703,059	3,085,172
	<u>6,628,534</u>	<u>7,265,883</u>
Commercial mortgage-backed securities	1,730,795	1,878,978
Residential mortgage-backed securities	836,066	907,330
Asset-backed securities	8,122	8,281
Total fixed maturity securities	<u>\$ 9,203,517</u>	<u>\$ 10,060,472</u>

d) The following table presents the components of net investment income.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest:				
Municipal bonds (tax-exempt)	\$ 16,157	\$ 17,885	\$ 32,758	\$ 36,711
Municipal bonds (taxable)	16,834	18,613	33,729	37,192
Other taxable bonds	39,616	41,242	79,588	82,023
Short-term investments, including overnight deposits	2,379	13,753	12,622	23,965
Dividends on equity securities	18,020	22,207	46,634	47,993
Income (loss) from equity method investments	5,647	1,174	(14,332)	3,070
Other	46	873	803	3,174
	<u>98,699</u>	<u>115,747</u>	<u>191,802</u>	<u>234,128</u>
Investment expenses	(3,084)	(3,916)	(7,944)	(8,115)
Net investment income	<u>\$ 95,615</u>	<u>\$ 111,831</u>	<u>\$ 183,858</u>	<u>\$ 226,013</u>

e) The following table presents the components of net investment gains (losses) and the change in net unrealized gains included in other comprehensive income.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Fixed maturity securities:				
Realized gains	\$ 5,348	\$ 1,661	\$ 6,733	\$ 1,804
Realized losses	(5,126)	(630)	(6,271)	(911)
Change in allowance for expected credit losses	1,537	—	(202)	—
Short-term investments:				
Realized gains	1,002	499	1,100	1,334
Realized losses	(184)	(2,049)	(356)	(2,073)
Cost-method investments:				
Realized gains	—	—	11,167	—
Other investment gains (losses):	(5,389)	452	(5,245)	460
Net realized investment gains (losses)	(2,812)	(67)	6,926	614
Equity securities:				
Change in fair value of securities sold during the period	82,523	202	43,458	26,616
Change in fair value of securities held during the period	831,532	425,518	(820,582)	1,010,614
Total change in fair value	914,055	425,720	(777,124)	1,037,230
Net investment gains (losses)	\$ 911,243	\$ 425,653	\$ (770,198)	\$ 1,037,844
Change in net unrealized gains on available-for-sale investments included in other comprehensive income:				
Fixed maturity securities	\$ 236,521	\$ 197,248	\$ 335,088	\$ 414,542
Short-term investments	3,128	2,506	(3,578)	3,861
Reserve deficiency adjustment for life and annuity benefit reserves (see note 11)	(22,740)	(35,938)	(35,612)	(61,751)
Net increase	\$ 216,909	\$ 163,816	\$ 295,898	\$ 356,652

5. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability.

Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In accordance with ASC 820, the Company determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including the market, income and cost approaches. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value, including an indication of the level within the fair value hierarchy in which each asset or liability is generally classified.

Available-for-sale investments and equity securities. Available-for-sale investments and equity securities are recorded at fair value on a recurring basis. Available-for-sale investments include fixed maturity securities and short-term investments. Short-term investments include certificates of deposit, commercial paper, discount notes and treasury bills with original maturities of one year or less. Fair value for available-for-sale investments and equity securities are determined by the Company after considering various sources of information, including information provided by a third party pricing service. The pricing service provides prices for substantially all of the Company's fixed maturity securities and equity securities. In determining fair value, the Company generally does not adjust the prices obtained from the pricing service. The Company obtains an understanding of the pricing service's valuation methodologies and related inputs, which include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, duration, credit ratings, estimated cash flows and prepayment speeds. The Company validates prices provided by the pricing service by reviewing prices from other pricing sources and analyzing pricing data in certain instances.

The Company has evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange. Level 2 investments include U.S. Treasury securities, U.S. government-sponsored enterprises, municipal bonds, foreign government bonds, commercial mortgage-backed securities, residential mortgage-backed securities, asset-backed securities and corporate debt securities. Level 3 investments include the Company's investments in certain insurance-linked securities funds managed by Markel CATCo Investment Management Ltd. (MCIM), a consolidated subsidiary, that are not traded on an active exchange, as further described and defined in note 12 (the Markel CATCo Funds), and are valued using unobservable inputs.

Fair value for available-for-sale investments and equity securities is measured based upon quoted prices in active markets, if available. Due to variations in trading volumes and the lack of quoted market prices, fixed maturity securities are classified as Level 2 investments. The fair value of fixed maturity securities is normally derived through recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable data described above. If there are no recent reported trades, the fair value of fixed maturity securities may be derived through the use of matrix pricing or model processes, where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Significant inputs used to determine the fair value of obligations of states, municipalities and political subdivisions, corporate bonds and obligations of foreign governments include reported trades, benchmark yields, issuer spreads, bids, offers, credit information and estimated cash flows. Significant inputs used to determine the fair value of commercial mortgage-backed securities, residential mortgage-backed securities and asset-backed securities include the type of underlying assets, benchmark yields, prepayment speeds, collateral information, tranche type and volatility, estimated cash flows, credit information, default rates, recovery rates, issuer spreads and the year of issue.

Due to the significance of unobservable inputs required in measuring the fair value of the Company's investments in the Markel CATCo Funds, these investments are classified as Level 3 within the fair value hierarchy. The fair value of the securities are derived using their reported net asset value (NAV) as the primary input, as well as other observable and unobservable inputs as deemed necessary by management. Management has obtained an understanding of the inputs, assumptions, process and controls used to determine NAV, which is calculated by an independent third party. Unobservable inputs to the NAV calculations include assumptions around premium earnings patterns and loss reserve estimates for the underlying securitized reinsurance contracts in which the Markel CATCo Funds invest. Significant unobservable inputs used in the valuation of these investments include an adjustment to include the fair value of the equity that was issued by one of the Markel CATCo Funds in exchange for notes receivable, rather than cash, which is excluded from NAV. The determination of fair value of the securities also considers external market data, including the trading price relative to its NAV of CATCo Reinsurance Opportunities Fund Ltd. (CROF), a comparable security traded on a market operated by the London Stock Exchange and on the Bermuda Stock Exchange. In July 2019, the Markel CATCo Funds were placed into run-off and capital is being returned to investors as it becomes available. However, due to the significant loss events on the underlying securitized reinsurance contracts in 2017 and 2018, portions of the Company's investments may be restricted up to three years.

The Company's valuation policies and procedures for Level 3 investments are determined by management. Fair value measurements are analyzed quarterly to ensure the change in fair value from prior periods is reasonable relative to management's understanding of the underlying investments, recent market trends and external market data.

Senior long-term debt and other debt. Senior long-term debt and other debt is carried at amortized cost with the estimated fair value disclosed on the consolidated balance sheets. Senior long-term debt and other debt is classified as Level 2 within the fair value hierarchy due to variations in trading volumes and the lack of quoted market prices. Fair value for senior long-term debt and other debt is generally derived through recent reported trades for identical securities, making adjustments through the reporting date, if necessary, based upon available market observable data including U.S. Treasury securities and implied credit spreads. Significant inputs used to determine the fair value of senior long-term debt and other debt include reported trades, benchmark yields, issuer spreads, bids and offers.

The following tables present the balances of assets measured at fair value on a recurring basis by level within the fair value hierarchy.

(dollars in thousands)	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Fixed maturity securities, available-for-sale:				
U.S. Treasury securities	\$ —	\$ 354,895	\$ —	\$ 354,895
U.S. government-sponsored enterprises	—	374,808	—	374,808
Obligations of states, municipalities and political subdivisions	—	4,205,455	—	4,205,455
Foreign governments	—	1,515,396	—	1,515,396
Commercial mortgage-backed securities	—	1,878,978	—	1,878,978
Residential mortgage-backed securities	—	907,330	—	907,330
Asset-backed securities	—	8,281	—	8,281
Corporate bonds	—	815,329	—	815,329
Total fixed maturity securities, available-for-sale	—	10,060,472	—	10,060,472
Equity securities:				
Insurance, banks and other financial institutions	2,014,514	—	115,648	2,130,162
Industrial, consumer and all other	3,534,085	—	—	3,534,085
Total equity securities	5,548,599	—	115,648	5,664,247
Short-term investments, available-for-sale	823,932	105,340	—	929,272
Total investments	\$ 6,372,531	\$ 10,165,812	\$ 115,648	\$ 16,653,991

(dollars in thousands)	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Fixed maturity securities, available-for-sale:				
U.S. Treasury securities	\$ —	\$ 284,786	\$ —	\$ 284,786
U.S. government-sponsored enterprises	—	342,580	—	342,580
Obligations of states, municipalities and political subdivisions	—	4,189,882	—	4,189,882
Foreign governments	—	1,542,004	—	1,542,004
Commercial mortgage-backed securities	—	1,817,845	—	1,817,845
Residential mortgage-backed securities	—	888,073	—	888,073
Asset-backed securities	—	11,048	—	11,048
Corporate bonds	—	894,691	—	894,691
Total fixed maturity securities, available-for-sale	—	9,970,909	—	9,970,909
Equity securities:				
Insurance, banks and other financial institutions	2,463,190	—	45,992	2,509,182
Industrial, consumer and all other	5,081,573	—	—	5,081,573
Total equity securities	7,544,763	—	45,992	7,590,755
Short-term investments, available-for-sale	1,093,799	102,449	—	1,196,248
Total investments	\$ 8,638,562	\$ 10,073,358	\$ 45,992	\$ 18,757,912

The following table summarizes changes in Level 3 investments measured at fair value on a recurring basis.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Equity securities, beginning of period	\$ 131,307	\$ 44,812	\$ 45,992	\$ 53,728
Purchases	—	500	90,000	500
Sales	(16,529)	—	(17,893)	(6,869)
Net investment gains (losses) on Level 3 investments	870	(7,324)	(2,451)	(9,371)
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Equity securities, end of period	\$ 115,648	\$ 37,988	\$ 115,648	\$ 37,988

In connection with the run-off of one of the Markel CATCo Funds and to facilitate the return of capital to third party investors, the Company invested \$90.0 million in that fund effective January 1, 2020. This investment replaces collateral previously provided by other investors for risk exposures within the underlying reinsurance contracts in which the fund is invested related to loss events that occur after December 31, 2019 and through the expiration of the reinsurance contracts, all of which either had expired or were commuted as of June 30, 2020. Underwriting results for the 2020 loss exposures on these contracts are attributed to the Company through its investment in the fund.

The Company did not have any assets or liabilities measured at fair value on a non-recurring basis during the six months ended June 30, 2020 and 2019.

6. Receivables

The following table presents the components of receivables and the related allowance for credit losses.

<i>(dollars in thousands)</i>	June 30, 2020	December 31, 2019
Amounts receivable from agents, brokers and insureds	\$ 1,762,062	\$ 1,424,881
Trade accounts receivable	429,621	259,062
Other	194,719	182,582
	2,386,402	1,866,525
Allowance for credit losses	(23,613)	(18,723)
Receivables	\$ 2,362,789	\$ 1,847,802

The increase in gross receivables from December 31, 2019 to June 30, 2020 reflects variations in the volume of business across the Company's operations and the acquisition of Lansing during the second quarter of 2020, as described in note 3.

Following the adoption of ASC 326, as described in note 1, beginning January 1, 2020 the Company considers reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions to determine the allowance for credit losses. The increase in the allowance for credit losses on receivables from December 31, 2019 to June 30, 2020 reflects the impact of adopting this standard effective January 1, 2020 as well as a decline in short-term economic conditions as forecasted during the six months ended June 30, 2020 as a result of expected impacts from the COVID-19 pandemic.

7. Segment Reporting Disclosures

The chief operating decision maker reviews the Company's ongoing underwriting operations on a global basis in the following two segments: Insurance and Reinsurance. In determining how to allocate resources and assess the performance of its underwriting results, management considers many factors, including the nature of the insurance product sold, the type of account written and the type of customer served. The Insurance segment includes all direct business and facultative placements written within the Company's underwriting operations. The Reinsurance segment includes all treaty reinsurance written within the Company's underwriting operations. All investing activities related to the Company's insurance operations are included in the Investing segment.

The chief operating decision maker reviews and assesses Markel Ventures' performance in the aggregate, as a single operating segment. The Markel Ventures segment primarily consists of controlling interests in a diverse portfolio of businesses that operate in various industries.

The Company's other operations include the results of the Company's insurance-linked securities operations and program services business, as well as the results of its legal and professional consulting services. Other operations also include results for lines of business discontinued prior to, or in conjunction with, acquisitions, including development on asbestos and environmental loss reserves and results attributable to the run-off of life and annuity reinsurance business, which are monitored separately from the Company's ongoing underwriting operations. For purposes of segment reporting, none of these other operations are considered to be reportable segments.

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

For management reporting purposes, the Company allocates assets to its underwriting operations and to its Investing and Markel Ventures segments and certain of its other operations, including its program services and insurance-linked securities operations. Underwriting assets include assets attributed to the Company's Insurance and Reinsurance segments, discontinued underwriting lines of business, as well as assets that are not specifically allocated to the Company's other operations. Underwriting and investing assets are not allocated to the Company's underwriting segments since the Company does not manage its assets by underwriting segment. The Company does not allocate capital expenditures for long-lived assets to either of its underwriting segments for management reporting purposes.

a) The following tables summarize the Company's segment disclosures.

	Quarter Ended June 30, 2020					
<i>(dollars in thousands)</i>	Insurance	Reinsurance	Investing	Markel Ventures ⁽¹⁾	Other ⁽²⁾	Consolidated
Gross premium volume	\$ 1,553,436	\$ 223,277	\$ —	\$ —	\$ 596,479	\$ 2,373,192
Net written premiums	1,267,976	188,830	—	—	(411)	1,456,395
Earned premiums	1,120,151	240,555	—	—	(532)	1,360,174
Losses and loss adjustment expenses:						
Current accident year	(730,201)	(147,163)	—	—	—	(877,364)
Prior accident years	151,205	12,280	—	—	663	164,148
Amortization of policy acquisition costs	(238,784)	(63,411)	—	—	—	(302,195)
Other operating expenses	(167,298)	(17,506)	—	—	(2,363)	(187,167)
Underwriting profit (loss)	135,073	24,755	—	—	(2,232)	157,596
Net investment income	—	—	95,561	54	—	95,615
Net investment gains	—	—	911,243	—	—	911,243
Products revenues	—	—	—	423,581	—	423,581
Services and other revenues	—	—	—	254,504	86,898	341,402
Products expenses	—	—	—	(364,483)	—	(364,483)
Services and other expenses	—	—	—	(222,656)	(62,284)	(284,940)
Amortization of intangible assets ⁽³⁾	—	—	—	(11,596)	(26,158)	(37,754)
Segment profit (loss)	\$ 135,073	\$ 24,755	\$ 1,006,804	\$ 79,404	\$ (3,776)	\$ 1,242,260
Interest expense						(45,427)
Net foreign exchange losses						(21,460)
Income before income taxes						\$ 1,175,373
U.S. GAAP combined ratio ⁽⁴⁾	88 %	90 %			NM ⁽⁵⁾	88 %

(1) Products expenses and services and other expenses for the Markel Ventures segment include depreciation expense of \$14.3 million for the quarter ended June 30, 2020.

(2) Other represents the total profit (loss) attributable to the Company's operations that are not included in a reportable segment as well as any amortization of intangible assets that is not allocated to a reportable segment. Amortization of intangible assets attributable to the Company's underwriting segments was \$10.7 million for the quarter ended June 30, 2020, however, the Company does not allocate amortization of intangible assets between the Insurance and Reinsurance segments.

(3) Segment profit for the Markel Ventures segment includes amortization of intangible assets attributable to Markel Ventures. Amortization of intangible assets is not allocated to the Company's Insurance and Reinsurance segments.

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

(5) NM - Ratio is not meaningful

	Quarter Ended June 30, 2019					
<i>(dollars in thousands)</i>	Insurance	Reinsurance	Investing	Markel Ventures (1)	Other (2)	Consolidated
Gross premium volume	\$ 1,368,348	\$ 223,381	\$ —	\$ —	\$ 655,418	\$ 2,247,147
Net written premiums	1,126,170	178,802	—	—	666	1,305,638
Earned premiums	991,269	207,728	—	—	464	1,199,461
Losses and loss adjustment expenses:						
Current accident year	(657,372)	(139,340)	—	—	—	(796,712)
Prior accident years	101,721	18,190	—	—	(1,319)	118,592
Amortization of policy acquisition costs	(208,609)	(54,456)	—	—	—	(263,065)
Other operating expenses	(179,432)	(23,306)	—	—	3,487	(199,251)
Underwriting profit	47,577	8,816	—	—	2,632	59,025
Net investment income	—	—	111,633	198	—	111,831
Net investment gains	—	—	425,653	—	—	425,653
Products revenues	—	—	—	501,676	—	501,676
Services and other revenues	—	—	—	115,311	85,184	200,495
Products expenses	—	—	—	(425,138)	—	(425,138)
Services and other expenses	—	—	—	(99,860)	(70,936)	(170,796)
Amortization of intangible assets (3)	—	—	—	(10,510)	(25,790)	(36,300)
Segment profit (loss)	\$ 47,577	\$ 8,816	\$ 537,286	\$ 81,677	\$ (8,910)	\$ 666,446
Interest expense						(41,267)
Net foreign exchange gains						25,015
Income before income taxes						\$ 650,194
U.S. GAAP combined ratio (4)	95 %	96 %			NM (5)	95 %

(1) Products expenses and services and other expenses for the Markel Ventures segment include depreciation expense of \$13.5 million for the quarter ended June 30, 2019.

(2) Other represents the total profit (loss) attributable to the Company's operations that are not included in a reportable segment as well as any amortization of intangible assets that is not allocated to a reportable segment. Amortization of intangible assets attributable to the Company's underwriting segments was \$9.8 million for the quarter ended June 30, 2019, however, the Company does not allocate amortization of intangible assets between the Insurance and Reinsurance segments.

(3) Segment profit for the Markel Ventures segment includes amortization of intangible assets attributable to Markel Ventures. Amortization of intangible assets is not allocated to the Company's Insurance and Reinsurance segments.

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

(5) NM - Ratio is not meaningful

	Six Months Ended June 30, 2020					
<i>(dollars in thousands)</i>	Insurance	Reinsurance	Investing	Markel Ventures ⁽¹⁾	Other ⁽²⁾	Consolidated
Gross premium volume	\$ 2,968,147	\$ 736,463	\$ —	\$ —	\$ 991,406	\$ 4,696,016
Net written premiums	2,463,713	641,579	—	—	(2,419)	3,102,873
Earned premiums	2,227,002	466,515	—	—	(2,634)	2,690,883
Losses and loss adjustment expenses:						
Current accident year	(1,736,836)	(320,893)	—	—	—	(2,057,729)
Prior accident years	267,337	(1,632)	—	—	2,460	268,165
Amortization of policy acquisition costs	(478,204)	(119,802)	—	—	—	(598,006)
Other operating expenses	(350,600)	(33,392)	—	—	(2,527)	(386,519)
Underwriting loss	(71,301)	(9,204)	—	—	(2,701)	(83,206)
Net investment income	—	—	183,620	238	—	183,858
Net investment losses	—	—	(770,198)	—	—	(770,198)
Products revenues	—	—	—	775,742	—	775,742
Services and other revenues	—	—	—	413,380	174,016	587,396
Products expenses	—	—	—	(678,554)	—	(678,554)
Services and other expenses	—	—	—	(366,208)	(136,288)	(502,496)
Amortization of intangible assets ⁽³⁾	—	—	—	(23,437)	(52,175)	(75,612)
Segment profit (loss)	\$ (71,301)	\$ (9,204)	\$ (586,578)	\$ 121,161	\$ (17,148)	\$ (563,070)
Interest expense						(90,457)
Net foreign exchange gains						56,841
Loss before income taxes						\$ (596,686)
U.S. GAAP combined ratio ⁽⁴⁾	<u>103 %</u>	<u>102 %</u>			<u>NM ⁽⁵⁾</u>	<u>103 %</u>

(1) Products expenses and services and other expenses for the Markel Ventures segment include depreciation expense of \$28.1 million for the six months ended June 30, 2020.

(2) Other represents the total profit (loss) attributable to the Company's operations that are not included in a reportable segment as well as any amortization of intangible assets that is not allocated to a reportable segment. Amortization of intangible assets attributable to the Company's underwriting segments was \$21.1 million for the six months ended June 30, 2020, however, the Company does not allocate amortization of intangible assets between the Insurance and Reinsurance segments.

(3) Segment profit for the Markel Ventures segment includes amortization of intangible assets attributable to Markel Ventures. Amortization of intangible assets is not allocated to the Company's Insurance and Reinsurance segments.

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

(5) NM - Ratio is not meaningful

	Six Months Ended June 30, 2019					
<i>(dollars in thousands)</i>	Insurance	Reinsurance	Investing	Markel Ventures (1)	Other (2)	Consolidated
Gross premium volume	\$ 2,561,196	\$ 736,758	\$ —	\$ —	\$ 1,204,235	\$ 4,502,189
Net written premiums	2,124,528	657,769	—	—	434	2,782,731
Earned premiums	1,964,996	438,238	—	—	204	2,403,438
Losses and loss adjustment expenses:						
Current accident year	(1,275,870)	(278,812)	—	—	—	(1,554,682)
Prior accident years	174,295	6,895	—	—	7,626	188,816
Amortization of policy acquisition costs	(408,608)	(116,284)	—	—	—	(524,892)
Other operating expenses	(355,153)	(37,865)	—	—	382	(392,636)
Underwriting profit	99,660	12,172	—	—	8,212	120,044
Net investment income	—	—	225,563	450	—	226,013
Net investment gains	—	—	1,037,844	—	—	1,037,844
Products revenues	—	—	—	850,470	—	850,470
Services and other revenues	—	—	—	221,280	172,559	393,839
Products expenses	—	—	—	(744,564)	—	(744,564)
Services and other expenses	—	—	—	(194,730)	(150,672)	(345,402)
Amortization of intangible assets (3)	—	—	—	(21,317)	(55,651)	(76,968)
Segment profit (loss)	\$ 99,660	\$ 12,172	\$ 1,263,407	\$ 111,589	\$ (25,552)	\$ 1,461,276
Interest expense						(81,557)
Net foreign exchange gains						3,151
Income before income taxes						\$ 1,382,870
U.S. GAAP combined ratio (4)	95 %	97 %			NM (5)	95 %

- (1) Products expenses and services and other expenses for the Markel Ventures segment include depreciation expense of \$27.5 million for the six months ended June 30, 2019.
- (2) Other represents the total profit (loss) attributable to the Company's operations that are not included in a reportable segment as well as any amortization of intangible assets that is not allocated to a reportable segment. Amortization of intangible assets attributable to the Company's underwriting segments was \$19.7 million for the six months ended June 30, 2019, however, the Company does not allocate amortization of intangible assets between the Insurance and Reinsurance segments.
- (3) Segment profit for the Markel Ventures segment includes amortization of intangible assets attributable to Markel Ventures. Amortization of intangible assets is not allocated to the Company's Insurance and Reinsurance segments.
- (4) The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums.
- (5) NM - Ratio is not meaningful

b) The following table reconciles segment assets to the Company's consolidated balance sheets.

<i>(dollars in thousands)</i>	June 30, 2020	December 31, 2019
Segment assets:		
Investing	\$ 22,097,531	\$ 22,129,633
Underwriting	7,229,312	6,621,639
Markel Ventures	3,741,583	2,550,835
Total segment assets	33,068,426	31,302,107
Other operations	5,999,200	6,171,708
Total assets	\$ 39,067,626	\$ 37,473,815

8. Products, Services and Other Revenues

The amount of revenues from contracts with customers was \$716.9 million and \$645.1 million for the quarters ended June 30, 2020 and 2019, respectively, and \$1.3 billion and \$1.1 billion for the six months ended June 30, 2020 and 2019, respectively.

The following tables present revenues from contracts with customers by type, all of which are included in products revenues and services and other revenues in the consolidated statements of income (loss) and comprehensive income (loss).

<i>(dollars in thousands)</i>	Quarter Ended June 30,					
	2020			2019		
	Markel Ventures	Other	Total	Markel Ventures	Other	Total
Products	\$ 414,516	\$ —	\$ 414,516	\$ 486,209	\$ —	\$ 486,209
Services	240,220	37,122	277,342	101,908	26,881	128,789
Investment management	—	25,009	25,009	—	30,096	30,096
Total revenues from contracts with customers	654,736	62,131	716,867	588,117	56,977	645,094
Program services and other fronting	—	24,790	24,790	—	27,861	27,861
Other	23,349	(23)	23,326	28,870	346	29,216
Total	\$ 678,085	\$ 86,898	\$ 764,983	\$ 616,987	\$ 85,184	\$ 702,171

<i>(dollars in thousands)</i>	Six Months Ended June 30,					
	2020			2019		
	Markel Ventures	Other	Total	Markel Ventures	Other	Total
Products	\$ 752,754	\$ —	\$ 752,754	\$ 819,703	\$ —	\$ 819,703
Services	383,484	68,007	451,491	194,555	46,626	241,181
Investment management	—	54,832	54,832	—	70,988	70,988
Total revenues from contracts with customers	1,136,238	122,839	1,259,077	1,014,258	117,614	1,131,872
Program services and other fronting	—	50,494	50,494	—	54,178	54,178
Other	52,884	683	53,567	57,492	767	58,259
Total	\$ 1,189,122	\$ 174,016	\$ 1,363,138	\$ 1,071,750	\$ 172,559	\$ 1,244,309

The following table presents receivables and customer deposits related to contracts with customers.

<i>(dollars in thousands)</i>	June 30, 2020	December 31, 2019
Receivables	\$ 537,126	\$ 263,904
Customer deposits	\$ 60,255	\$ 60,623

Receivables from contracts with customers increased \$273.2 million as of June 30, 2020 compared to December 31, 2019, primarily attributable to the seasonal nature of certain of the Company's Markel Ventures businesses, the acquisition of Lansing during the second quarter of 2020 as well as growth within certain of the Company's insurance-linked securities operations.

9. Unpaid Losses and Loss Adjustment Expenses

The following table presents a reconciliation of consolidated beginning and ending reserves for losses and loss adjustment expenses.

<i>(dollars in thousands)</i>	Six Months Ended June 30,	
	2020	2019
Net reserves for losses and loss adjustment expenses, beginning of year	\$ 9,475,261	\$ 9,214,443
Effect of foreign currency rate changes on beginning of year balance	(75,037)	(2,866)
Effect of adoption of ASC 326 (see note 2)	3,849	—
Adjusted net reserves for losses and loss adjustment expenses, beginning of year	9,404,073	9,211,577
Incurred losses and loss adjustment expenses:		
Current accident year	2,057,729	1,554,682
Prior accident years	(268,220)	(188,949)
Total incurred losses and loss adjustment expenses	1,789,509	1,365,733
Payments:		
Current accident year	217,466	206,461
Prior accident years	1,033,176	1,173,743
Total payments	1,250,642	1,380,204
Effect of foreign currency rate changes on current year activity	(1,997)	760
Net reserves for losses and loss adjustment expenses, end of period	9,940,943	9,197,866
Reinsurance recoverables on unpaid losses	5,304,562	5,137,917
Gross reserves for losses and loss adjustment expenses, end of period	\$ 15,245,505	\$ 14,335,783

Underwriting results for the six months ended June 30, 2020 included \$325.0 million of net losses and loss adjustment expenses directly attributed to the COVID-19 pandemic, for which COVID-19 was identified as the proximate, or direct, cause of loss. These losses and loss adjustment expenses were net of ceded losses of \$58.0 million.

Both the gross and net loss estimates for direct losses attributed to the COVID-19 pandemic represent the Company's best estimate of losses based upon information currently available. The Company's estimate for these losses and loss adjustment expenses is based on reported claims, as well as detailed policy level reviews and reviews of in-force assumed reinsurance contracts for potential exposures. This estimate also considered analysis provided by brokers and claims counsel. There are no historical events with similar characteristics to COVID-19, and therefore the Company has no past loss experience on which to base its estimates. Additionally, the economic and social impacts of the pandemic continue to evolve.

Significant assumptions on which the Company's estimates of reserves for COVID-19 losses and loss adjustment expenses are based include:

- the scope of coverage provided under the Company's policies, particularly those that provide for business interruption coverage;
- coverage provided under the Company's ceded reinsurance contracts;
- the expected duration of the disruption caused by the COVID-19 pandemic; and
- the ability of insureds to mitigate some or all of their losses.

The Company's estimates are based on broad assumptions about coverage, liability and reinsurance, which ultimately may be subjected to judicial review or government action. Additionally, it is highly likely that there will be significant litigation involved in the handling of claims associated with COVID-19, and in certain instances, assessing the validity of policy exclusions for pandemics and interpreting policy terms to determine coverage for pandemics, which are in the process of being tested in various judicial systems. While the Company believes the net reserves for losses and loss adjustment expenses for COVID-19 as of June 30, 2020 are adequate based on information available at this time, the Company will continue to closely monitor reported claims, government actions, judicial decisions and changes in the levels of worldwide social disruption and economic activity arising from the pandemic and will adjust the estimates of gross and net losses as new information becomes available. Such adjustments to the Company's reserves for COVID-19 losses and loss adjustment expenses may be material to the Company's results of operations, financial condition and cash flows.

For the six months ended June 30, 2020, incurred losses and loss adjustment expenses included \$268.2 million of favorable development on prior years' loss reserves, which included \$206.6 million of favorable development on the Company's professional liability, general liability and workers' compensation product lines within the Insurance segment and property and general liability product lines within the Reinsurance segment.

For the six months ended June 30, 2019, incurred losses and loss adjustment expenses included \$188.9 million of favorable development on prior years' loss reserves, which included \$168.1 million of favorable development on the Company's general liability, workers' compensation and personal lines product lines within the Insurance segment and aviation, whole account and auto product lines within the Reinsurance segment.

10. Reinsurance

The following table summarizes the effect of reinsurance and retrocessional reinsurance on premiums written and earned.

(dollars in thousands)	Quarter Ended June 30,							
	2020				2019			
	Direct	Assumed	Ceded	Net Premiums	Direct	Assumed	Ceded	Net Premiums
Underwriting:								
Written	\$ 1,460,090	\$ 316,905	\$ (319,772)	\$ 1,457,223	\$ 1,323,128	\$ 268,837	\$ (286,978)	\$ 1,304,987
Earned	1,287,268	346,262	(272,600)	1,360,930	1,159,544	331,842	(292,374)	1,199,012
Program services and other:								
Written	567,864	28,333	(597,025)	(828)	652,716	2,466	(654,531)	651
Earned	498,381	26,588	(525,725)	(756)	538,131	12,878	(550,560)	449
Consolidated:								
Written	2,027,954	345,238	(916,797)	1,456,395	1,975,844	271,303	(941,509)	1,305,638
Earned	\$ 1,785,649	\$ 372,850	\$ (798,325)	\$ 1,360,174	\$ 1,697,675	\$ 344,720	\$ (842,934)	\$ 1,199,461

(dollars in thousands)	Six Months Ended June 30,							
	2020				2019			
	Direct	Assumed	Ceded	Net Premiums	Direct	Assumed	Ceded	Net Premiums
Underwriting:								
Written	\$ 2,809,331	\$ 895,561	\$ (599,161)	\$ 3,105,731	\$ 2,450,516	\$ 846,934	\$ (515,610)	\$ 2,781,840
Earned	2,562,939	672,962	(542,138)	2,693,763	2,291,100	619,217	(507,540)	2,402,777
Program services and other:								
Written	956,788	34,336	(993,982)	(2,858)	1,170,417	34,322	(1,203,848)	891
Earned	1,043,724	40,311	(1,086,915)	(2,880)	1,053,083	29,273	(1,081,695)	661
Consolidated:								
Written	3,766,119	929,897	(1,593,143)	3,102,873	3,620,933	881,256	(1,719,458)	2,782,731
Earned	\$ 3,606,663	\$ 713,273	\$ (1,629,053)	\$ 2,690,883	\$ 3,344,183	\$ 648,490	\$ (1,589,235)	\$ 2,403,438

Substantially all of the premiums written and earned in the Company's program services and other fronting operations for the quarter and six months ended June 30, 2020 and 2019 were ceded. The percentage of consolidated ceded earned premiums to gross earned premiums was 37% and 38% for the quarter and six months ended June 30, 2020, respectively, and 41% and 40% for the quarter and six months ended June 30, 2019, respectively. The percentage of consolidated assumed earned premiums to net earned premiums was 27% for both the quarter and six months ended June 30, 2020 and 29% and 27% for the quarter and six months ended June 30, 2019, respectively.

Substantially all of the incurred losses and loss adjustment expenses in the Company's program services and other fronting operations, which totaled \$394.5 million and \$702.5 million for the quarter and six months ended June 30, 2020, respectively, and \$338.8 million and \$703.8 million for the quarter and six months ended June 30, 2019, respectively, were ceded.

The following table summarizes the effect of reinsurance and retrocessional reinsurance on losses and loss adjustment expenses in the Company's underwriting operations.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gross	\$ 868,069	\$ 893,276	\$ 2,111,626	\$ 1,715,030
Ceded	(154,307)	(215,389)	(321,487)	(349,412)
Net losses and loss adjustment expenses	\$ 713,762	\$ 677,887	\$ 1,790,139	\$ 1,365,618

The following table presents the Company's reinsurance recoverables and the related allowance for credit losses.

<i>(dollars in thousands)</i>	June 30, 2020	December 31, 2019
Reinsurance recoverables, gross	\$ 5,505,162	\$ 5,459,561
Allowance for credit losses	(32,813)	(26,849)
Reinsurance recoverables	\$ 5,472,349	\$ 5,432,712

Following the adoption of ASC 326, as described in note 1, beginning January 1, 2020 the Company considers reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions to determine the allowance for credit losses. The increase in the allowance for credit losses on reinsurance recoverables from December 31, 2019 to June 30, 2020 reflects the impact of adopting this standard effective January 1, 2020 as well as a decline in short-term economic conditions as forecasted during the first six months of 2020 as a result of expected impacts from the COVID-19 pandemic.

11. Life and Annuity Benefits

Life and annuity benefits are compiled on a reinsurance contract-by-contract basis and are discounted using standard actuarial techniques and cash flow models. Since the development of the life and annuity reinsurance reserves is based upon cash flow projection models, the Company must make estimates and assumptions based on cedent experience, industry mortality tables, and expense and investment experience, including a provision for adverse deviation. The assumptions used to determine policy benefit reserves are generally locked-in for the life of the contract unless an unlocking event occurs. Loss recognition testing is performed to determine if existing policy benefit reserves, together with the present value of future gross premiums and expected investment income earned thereon, are adequate to cover the present value of future benefits, settlement and maintenance costs. If the existing policy benefit reserves are not sufficient, the locked-in assumptions are revised to current best estimate assumptions and a charge to earnings for life and annuity benefits is recognized at that time.

Life and annuity benefits are also adjusted to the extent unrealized gains on the investments supporting the policy benefit reserves would result in a reserve deficiency if those gains were realized. During the quarter and six months ended June 30, 2020, the Company recognized a reserve deficiency resulting from a decrease in the market yield on the investment portfolio supporting the policy benefit reserves by increasing life and annuity benefits by \$22.7 million and \$35.6 million, respectively, and decreasing the change in net unrealized holding gains included in other comprehensive income (loss) by a corresponding amount. As of June 30, 2020 and December 31, 2019, the cumulative adjustment to life and annuity benefits attributable to unrealized gains on the underlying investment portfolio totaled \$87.0 million and \$51.4 million, respectively. The adjustment required for the quarter and six months ended June 30, 2019 was \$36.0 million and \$61.8 million, respectively.

12. Variable Interest Entities

MCIM, a wholly-owned consolidated subsidiary of the Company, is an insurance-linked securities investment fund manager and reinsurance manager headquartered in Bermuda. Results attributable to MCIM are not included in a reportable segment.

MCIM serves as the insurance manager for Markel CATCo Re, a Bermuda Class 3 reinsurance company, and as the investment manager for Markel CATCo Reinsurance Fund Ltd., a Bermuda exempted mutual fund company comprised of multiple segregated accounts (Markel CATCo Funds). The Markel CATCo Funds issue multiple classes of nonvoting, redeemable preference shares to investors and the Markel CATCo Funds are primarily invested in nonvoting preference shares of Markel CATCo Re. The underwriting results of Markel CATCo Re are attributed to the Markel CATCo Funds through those nonvoting preference shares. Voting shares in Markel CATCo Reinsurance Fund Ltd. and Markel CATCo Re are held by MCIM.

The Markel CATCo Funds and Markel CATCo Re are considered VIEs, as their preference shareholders have no voting rights. MCIM has the power to direct the activities that most significantly impact the economic performance of these entities, but does not have a variable interest in any of the entities. Generally, the Company is not the primary beneficiary of the Markel CATCo Funds or Markel CATCo Re, and therefore does not consolidate these entities, as the Company's involvement is generally limited to that of an investment or insurance manager, receiving fees that are at market and commensurate with the level of effort required.

The Company is the sole investor in one of the Markel CATCo Funds, the Markel Diversified Fund, and consolidates that fund as its primary beneficiary. Total assets of the Markel Diversified Fund, which are included on the Company's consolidated balance sheets, were \$13.5 million and \$19.6 million as of June 30, 2020 and December 31, 2019, respectively, and are primarily comprised of an investment in one of the Markel CATCo Funds. The Company also has investments in another one of the Markel CATCo Funds (\$102.5 million and \$26.8 million as of June 30, 2020 and December 31, 2019, respectively), which is not consolidated and includes a \$90.0 million investment that was made in the first quarter of 2020. See note 5. With the exception of the Company's investment in the Markel Diversified Fund, the Company generally does not have the obligation to absorb losses or the right to receive benefits from its investments in the Markel CATCo Funds that could potentially be significant to the respective fund, and therefore does not consolidate those funds.

The Company's exposure to risk from the unconsolidated Markel CATCo Funds and Markel CATCo Re is generally limited to its investment and any earned but uncollected fees. The Company has not issued any investment performance guarantees to these VIEs or their investors. As of June 30, 2020 and December 31, 2019, net assets under management of MCIM for unconsolidated VIEs were \$2.0 billion and \$2.7 billion, respectively. See note 15.

13. Related Party Transactions

The Company engages in certain related party transactions in the normal course of business at arm's length.

Insurance-Linked Securities

Within the Company's insurance-linked securities operations, the Company provides investment and insurance management services through MCIM and Nephila. See note 12 for details regarding operations conducted through MCIM. Nephila serves as the investment manager to several Bermuda, Ireland and U.S. based private funds (the Nephila Funds). To provide access for the Nephila Funds to the insurance, reinsurance and weather markets, Nephila also provides managing general agent services and acts as an insurance manager to certain Bermuda Class 3 and 3A reinsurance companies and Lloyd's Syndicate 2357 (Syndicate 2357) (collectively, the Nephila Reinsurers). The Company receives management fees for investment and insurance management services provided through its insurance-linked securities operations based on the net asset value of the accounts managed, and, for certain funds, incentive fees based on the annual performance of the funds managed. Nephila also receives commissions from the Nephila Reinsurers, which are based on the direct written premiums of the insurance contracts placed. For the quarter and six months ended June 30, 2020, total revenues from the Company's insurance-linked securities operations were \$54.6 million and \$107.7 million, respectively, of which \$46.0 million and \$89.9 million, respectively, were attributed to unconsolidated entities managed by Nephila and MCIM. For the quarter and six months ended June 30, 2019, total revenues from the Company's insurance-linked securities operations were \$50.2 million and \$103.6 million, respectively, of which \$47.3 million and \$100.1 million, respectively, were attributed to unconsolidated entities managed by Nephila and MCIM. Other related party transactions with the Company's insurance-linked securities operations are described below.

Within the Company's program services business, the Company has a program with Nephila through which the Company writes insurance policies that are ceded to Syndicate 2357 and certain other Nephila Reinsurers. Through this arrangement, Nephila utilizes certain of the Company's licensed insurance companies to write U.S. catastrophe exposed property risk that is then ceded to Nephila Reinsurers. Gross premiums written through the Company's program with Nephila were \$122.9 million and \$213.4 million for the quarter and six months ended June 30, 2020, respectively, and \$141.2 million and \$234.2 million for the quarter and six months ended June 30, 2019, respectively, all of which were ceded to Nephila Reinsurers. As of June 30, 2020 and December 31, 2019, reinsurance recoverables on the consolidated balance sheets included \$236.7 million and \$238.8 million, respectively, due from Nephila Reinsurers.

Under this program, the Company bears underwriting risk for annual aggregate agreement year losses in excess of a limit the Company believes is unlikely to be exceeded. To the extent losses under this program exceed the prescribed limit, the Company is obligated to pay such losses to the cedents without recourse to the Nephila Reinsurers. While the Company believes losses under this program are unlikely, those losses, if incurred, could be material to the Company's consolidated results of operations and financial condition.

The Company has also entered into other assumed and ceded reinsurance transactions with the Nephila Reinsurers in the normal course of business, which are not material to the Company's consolidated financial statements.

The Hagerty Group, LLC

In June 2019, the Company acquired a minority ownership interest in The Hagerty Group, LLC (Hagerty Group), a company that primarily operates as a managing general agent under the names Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency (collectively, Hagerty), which is accounted for under the equity method. Hagerty Group also includes Hagerty Re, a Bermuda Class 3 reinsurance company. Essentia Insurance Company (Essentia), one of the Company's insurance subsidiaries, is the exclusive insurance underwriter for Hagerty in the U.S., and a portion of this insurance is ceded to Hagerty Re. For the quarter and six months ended June 30, 2020, gross written premiums attributable to Hagerty written on Essentia were \$154.0 million and \$254.9 million, respectively, of which \$72.8 million and \$120.6 million, respectively, were ceded to Hagerty Re. For the quarter and six months ended June 30, 2019, gross written premiums attributable to Hagerty written on Essentia were \$128.6 million and \$212.9 million, respectively, of which \$62.0 million and \$102.2 million, respectively, were ceded to Hagerty Re.

14. Shareholders' Equity

a) In May 2020, the Company issued 600,000 6.00% Fixed-Rate Reset Non-Cumulative Series A preferred shares, with no par value and a liquidation preference of \$1,000 per share, for an aggregate initial purchase price of \$600 million. Net proceeds of the Series A preferred shares offering, after deducting the underwriting discount and offering expenses, was \$591.9 million. Preferred stock and related additional paid-in capital are included in preferred stock on the Company's consolidated balance sheets.

The Company has the option to redeem the Series A preferred shares:

- in whole but not in part, at any time, within 90 days after the occurrence of a "rating agency event," at \$1,020 per Series A preferred share, plus accrued and unpaid dividends,
- in whole but not in part, at any time, within 90 days after the occurrence of a "regulatory capital event" at \$1,000 per Series A preferred share, plus accrued and unpaid dividends, or
- in whole or in part, on June 1, 2025, or every fifth anniversary of that date, at \$1,000 per Series A preferred share, plus accrued and unpaid dividends.

A "rating agency event" means that any nationally recognized statistical rating organization that publishes a rating for the Company amends, clarifies or changes the criteria it uses to assign equity credit to securities like the Series A preferred shares, which results in shortening the length of time that the Series A preferred shares are assigned a particular level of equity credit or in the lowering of the equity credit assigned to the preferred shares.

A "regulatory capital event" means that the Company becomes subject to capital adequacy supervision by a capital regulator and determines that, under such capital adequacy guidelines, the liquidation preference amount of the Series A preferred shares would not qualify as capital.

The Series A preferred shares rank senior to the Company's common stock with respect to the payment of dividends and liquidation rights. Holders of the Series A preferred shares will be entitled to receive non-cumulative cash dividends, when, as and if declared by the Board of Directors, from the original issue date, semi-annually in arrears on the first day of June and December of each year, beginning December 1, 2020. The Company accrues dividends when they are declared by the Board of Directors. To the extent declared, these dividends will accrue, on the liquidation preference of \$1,000 per share, at a fixed annual rate of 6.00% from the original issue date to June 1, 2025. After June 1, 2025, the dividend rate will reset every five years and accrue at an annual rate equal to the five-year U.S. Treasury Rate as of two business days prior to the reset date, plus 5.662%. Dividends will not be cumulative and will not be mandatory. Accordingly, if dividends are not declared for any dividend period, then dividends for that dividend period will not accrue and will not be payable.

b) Net income (loss) per common share was determined by dividing adjusted net income (loss) to common shareholders by the applicable weighted average common shares outstanding. Basic common shares outstanding include restricted stock units that are no longer subject to any contingencies for issuance, but for which corresponding shares have not been issued. Diluted net income (loss) per common share is computed by dividing adjusted net income (loss) to common shareholders by the weighted average number of common shares and dilutive potential common shares outstanding during the period.

<i>(in thousands, except per share amounts)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss) to common shareholders	\$ 921,768	\$ 497,298	\$ (483,995)	\$ 1,073,725
Adjustment of redeemable noncontrolling interests	(13,073)	3,324	2,940	21,685
Adjusted net income (loss) to common shareholders	\$ 908,695	\$ 500,622	\$ (481,055)	\$ 1,095,410
Basic common shares outstanding	13,808	13,866	13,812	13,881
Dilutive potential common shares from restricted stock units and restricted stock ⁽¹⁾	13	12	—	12
Diluted common shares outstanding	13,821	13,878	13,812	13,893
Basic net income (loss) per common share	\$ 65.81	\$ 36.10	\$ (34.83)	\$ 78.91
Diluted net income (loss) per common share ⁽¹⁾	\$ 65.75	\$ 36.07	\$ (34.83)	\$ 78.85

⁽¹⁾ The impact of restricted stock units and restricted stock of 11 thousand shares was excluded from the computation of diluted earnings per common share for the six months ended June 30, 2020 because the effect would have been anti-dilutive.

15. Commitments and Contingencies

a) Late in the fourth quarter of 2018, the Company was contacted by and received inquiries from the U.S. Department of Justice, U.S. Securities and Exchange Commission and Bermuda Monetary Authority (collectively, Governmental Authorities) into loss reserves recorded in late 2017 and early 2018 at Markel CATCo Re (the Markel CATCo Inquiries), an unconsolidated subsidiary managed by MCIM. As a result, the Company engaged outside counsel to conduct an internal review.

The internal review was completed in April 2019 and found no evidence that MCIM personnel acted in bad faith in exercising business judgment in the setting of reserves and making related disclosures during late 2017 and early 2018. The Company's outside counsel has met with the Governmental Authorities and reported the findings from the internal review. The Company cannot currently predict the duration, scope or result of the Markel CATCo Inquiries.

During the internal review, the Company discovered violations of Markel policies by two senior executives of MCIM. As a result, these two executives are no longer with the Company. On February 21, 2019, Anthony Belisle, one of the two senior executives that is no longer with MCIM, filed suit against MCIM and Markel Corporation, which suit was amended on March 29, 2019. As amended, Mr. Belisle's complaint alleged claims for, among other things, breach of contract, defamation, invasion of privacy, indemnification, intentional interference with contractual relations and deceptive and unfair acts and sought relief of, among other things, \$66.0 million in incentive compensation, enhanced compensatory damages, consequential damages, damages for emotional distress and injury to reputation, exemplary damages and attorneys' fees. In June 2019, MCIM, Markel Corporation, and Mr. Belisle agreed to commence binding arbitration to finally, fully and confidentially resolve the claims and counterclaims alleged in the action, and the Belisle suit was dismissed with prejudice in July 2019. The arbitrators have been selected, the arbitration proceeding has commenced and the arbitration hearing has been scheduled to begin in August 2020. In late July, the parties commenced settlement discussions and reached an agreement in principal on a mutually acceptable settlement amount. The Company expects that a settlement agreement will be entered into and the settlement amount will be recorded and reflected in the Company's net income in the third quarter of 2020. The settlement amount is not material to the Company's consolidated results of operations or financial condition.

In July 2019, MCIM announced it would cease accepting new investments in the Markel CATCo Funds and would not write any new business in Markel CATCo Re. Both the Markel CATCo Funds and Markel CATCo Re have been placed into run-off, returning capital to investors as it becomes available. The process is expected to take approximately three years.

The Markel CATCo Inquiries, as well as other matters related to or arising from the Markel CATCo Inquiries, including matters of which the Company is currently unaware, could result in additional claims, litigation, investigations, enforcement actions or proceedings. For example, additional litigation may be filed by investors in the Markel CATCo Funds. The Company also could become subject to increased regulatory scrutiny, investigations or proceedings in any of the jurisdictions where it operates. If any regulatory authority takes action against the Company or the Company enters into an agreement to settle a matter, the Company may incur sanctions or be required to pay substantial fines or implement remedial measures that could prove costly or disruptive to its businesses and operations. Costs associated with the Company's internal review, including legal and investigation costs, as well as legal costs incurred in connection with any existing or future litigation, are being expensed as incurred.

An unfavorable outcome in one or more of these matters, and others the Company cannot anticipate, could have a material adverse effect on the Company's results of operations and financial condition. In addition, the Company may take further steps to mitigate potential risks or liabilities that may arise from the Markel CATCo Inquiries and related developments and some of those steps may have a material impact on the Company's results of operations or financial condition. Even if an unfavorable outcome does not materialize, these matters, and actions the Company may take in response, could have an adverse impact on the Company's reputation and result in substantial expense and disruption.

b) Since becoming aware of a matter in the first quarter of 2018 related to the manufacturing of products at one of the Company's Markel Ventures businesses, the Company has conducted an investigation, reviewed the business's operations and developed remediation plans. Upon completion of its review during 2018, the Company recorded an expense of \$33.5 million in its results of operations and began implementing remediation plans. The amount accrued represented management's best estimate of amounts considered probable including: remediation costs associated with the manufacture of products, costs associated with the investigation of this matter, a write down of inventory on hand and settlement costs related to pre-existing litigation. As of June 30, 2020, \$20.2 million remained accrued for this matter.

Final resolution of this matter could ultimately result in additional remediation and other costs, the amount of which cannot be estimated at this time, but which could have a material impact on the Company's income before income taxes. However, management does not expect this matter ultimately will have a material adverse effect on the Company's results of operations or financial condition. If a determination is made that additional costs associated with this matter are considered probable, these additional costs will be recognized as an expense in the Company's results of operations.

c) In 2019, the Company established Lodgepine Capital Management Limited (Lodgepine), a new retrocessional insurance-linked securities fund manager in Bermuda. Lodgepine's initial product offering will be Lodgepine Fund Limited, a property catastrophe retrocessional investment fund, which the Company has been preparing to launch sometime in 2020. However, this timing has been impacted by the recent downturn in global market conditions, and corresponding impact on prospective investor capital allocation decisions. Subject to certain conditions, the Company has committed to invest up to \$100 million in Lodgepine Fund Limited.

d) On March 11, 2020, COVID-19, a novel coronavirus outbreak, was declared a pandemic by the World Health Organization. See note 16 for further details regarding potential impacts of COVID-19 on the Company's business.

e) Contingencies arise in the normal course of the Company's operations and are not expected to have a material impact on the Company's financial condition or results of operations.

16. Recent Developments Related to COVID-19

The COVID-19 pandemic has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world, the effects of which have impacted almost all of the Company's operations during the first half of 2020. The Company cannot reasonably estimate the extent or duration of the impacts of the pandemic; however, further potential impacts of the pandemic on the Company's results of operations, financial condition and cash flows, including those described below, could be material.

The significant volatility in the equity markets arising from economic uncertainty resulted in a decline in the fair value of the Company's equity portfolio of \$777.1 million for the six months ended June 30, 2020 and further declines are possible.

As described in note 9, the Company's underwriting results for the six months ended June 30, 2020 included \$325.0 million of net losses and loss adjustment expenses directly attributed to COVID-19 and assumptions used to develop this estimate are inherently uncertain and subject to a wide range of variability. As efforts to respond to the pandemic continue to evolve, the Company expects that losses indirectly related to the COVID-19 pandemic and associated with a broader range of coverages are likely to emerge within the Company's professional liability, trade credit and workers' compensation product lines, among others, including the Company's reinsurance product lines, though no material losses have been reported at this time. Business closures, reduced recreational activity and lower gross receipts, revenues and payrolls of insureds, among other things, also may impact the Company's premium volume and the economic impacts of the pandemic on the Company's insureds also may subject it to increased credit risk. A significant decline in economic activity also could impact premium volume within the Company's program services operations, which may result in a reduction in fee income.

Within the Company's Markel Ventures operations, many of the Company's businesses have experienced decreased demand for their products and services as a result of the pandemic. As the social and economic disruption caused by the pandemic is ongoing, the Company expects that revenues from its Markel Ventures operations will continue to be impacted, and these impacts may continue to be material. In certain cases, revenue declines also could result in ongoing cash and working capital constraints and could impact the companies' liquidity and their ability to comply with debt covenants.

Within the Company's insurance-linked securities operations, investment losses to date within the investment funds managed by the Company have not been significant; however, uncertainty around potential COVID-19 loss exposures has reduced, and may further reduce, the net asset value on which the Company's management fees are based. Volatility in the capital markets and investor uncertainty regarding insurance industry exposure to COVID-19 also has impacted, and may continue to impact, the Company's ability to raise additional third party capital for the funds it manages. The Company also has experienced, and may continue to experience, higher than anticipated investor redemptions from the funds.

Loss of revenues in the Company's underwriting, Markel Ventures, insurance-linked securities or other operations, the extent of which the Company is currently unable to estimate, also could impact the carrying value of the Company's goodwill and intangible assets and, with respect to its Markel Ventures operations, inventory and other long-lived assets, which may become impaired. The Company's consolidated balance sheet as of June 30, 2020 included goodwill and intangible assets of \$4.5 billion. Through June 30, 2020, the Company considered whether a quantitative assessment of goodwill and intangible assets for impairment was required as a result of the significant economic disruption caused by the COVID-19 pandemic. After considering qualitative factors regarding the actual and expected impacts of the pandemic on the Company's operations, as well as the amount by which the fair value of the Company's reporting units exceeded their respective carrying values at the date of the last quantitative assessment, the Company determined these conditions did not indicate that it is more likely than not that the carrying value of the Company's reporting units exceeded their fair value as of June 30, 2020 based on information available at this time. Similar factors were considered to determine if these circumstances were an indicator requiring an assessment of the recoverability of the Company's intangible assets, and the Company concluded they were not based on information available at this time. However, delayed recovery or further deterioration in market conditions related to the general economy and the specific industries in which the Company operates, a sustained trend of weaker than anticipated financial performance within a reporting unit, or an increase in the market-based weighted average cost of capital, among other factors, could significantly impact the impairment analysis and may result in future goodwill or intangible asset impairment charges that, if incurred, could have a material adverse effect on the Company's financial condition and results of operations.

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

The accompanying consolidated financial statements and related notes have been prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP) and include the accounts of Markel Corporation and its consolidated subsidiaries, as well as any variable interest entities that meet the requirements for consolidation (the Company).

Our Business

We are a diverse financial holding company serving a variety of niche markets. Our principal business markets and underwrites specialty insurance products. We believe that our specialty product focus and niche market strategy enable us to develop expertise and specialized market knowledge. We seek to differentiate ourselves from competitors by our expertise, service, continuity and other value-based considerations. We also own interests in various businesses that operate outside of the specialty insurance marketplace. Our financial goals are to earn consistent underwriting and operating profits and superior investment returns to build shareholder value.

Our business is comprised of the following types of operations:

- Underwriting - our underwriting operations are comprised of our risk-bearing insurance and reinsurance operations
- Investing - our investing activities are primarily related to our underwriting operations
- Markel Ventures - our Markel Ventures operations include our controlling interests in a diverse portfolio of businesses that operate outside of the specialty insurance marketplace
- Insurance-linked securities - our insurance-linked securities operations include investment fund managers that offer a variety of investment products, including insurance-linked securities, catastrophe bonds, insurance swaps and weather derivatives
- Program services - our program services business serves as a fronting platform that provides other insurance entities access to the U.S. property and casualty insurance market

Underwriting and Investing

Our chief operating decision maker allocates resources to and assesses the performance of our ongoing underwriting operations on a global basis in the following two segments: Insurance and Reinsurance. In determining how to monitor our underwriting results, we consider many factors, including the nature of the insurance product sold, the type of account written and the type of customer served. The Insurance segment includes all direct business and facultative placements written across the Company. The Reinsurance segment includes all treaty reinsurance written across the Company. Results for lines of business discontinued prior to, or in conjunction with, acquisitions, including development on asbestos and environmental loss reserves and the results attributable to the run-off of life and annuity reinsurance business, are monitored separately and are not included in a reportable segment. All investing activities related to our underwriting operations are included in the Investing segment.

Our Insurance segment includes both hard-to-place risks written outside of the standard market on an excess and surplus basis and unique and hard-to-place risks that must be written on an admitted basis due to marketing and regulatory reasons. Risks written in our Insurance segment are written on either a direct basis or a subscription basis, the latter of which means that the loss exposures brought into the market are typically insured by more than one insurance company or Lloyd's of London (Lloyd's) syndicate. When we write business in the subscription market, we prefer to participate as lead underwriter in order to control underwriting terms, policy conditions and claims handling. The following products are included in this segment: general liability, professional liability, primary and excess of loss property, including catastrophe-exposed property, personal property, workers' compensation, marine and energy liability coverages, specialty program insurance for well-defined niche markets, and liability and other coverages tailored for unique exposures. Business in this segment is written through our Markel Specialty, Markel International and State National divisions. The Markel Specialty division was formed effective April 1, 2020 through the combination of our Markel Assurance and Markel Specialty divisions. The newly combined Markel Specialty division creates a unified platform that makes it easier for our customers to access our diverse portfolio of products and capabilities, offered on both an excess and surplus and admitted basis, and provides an improved customer experience. The Markel International division writes business worldwide from our London and Munich-based platforms, which include branch offices around the world. The State National division's collateral protection underwriting business also is included in the Insurance segment.

Our Reinsurance segment includes property, casualty and specialty treaty reinsurance products offered to other insurance and reinsurance companies globally through the broker market. Our treaty reinsurance offerings include both quota share and excess of loss reinsurance and are typically written on a participation basis, which means each reinsurer shares proportionally in the business ceded under the reinsurance treaty written. Principal lines of business include: property, including catastrophe-exposed property, professional liability, general liability, credit, surety, auto and workers' compensation. Our reinsurance product offerings are underwritten primarily by our Global Reinsurance division.

Markel Ventures

Through our wholly-owned subsidiary Markel Ventures, Inc. (Markel Ventures), we own interests in various businesses that we monitor and report in the Markel Ventures segment. These businesses are viewed by management as separate and distinct from our insurance operations and are comprised of a diverse portfolio of businesses from different industries that offer various types of products and services to businesses and consumers, predominately in the United States. Our products group is comprised of businesses that manufacture or produce equipment, transportation-related products and consumer and building products. For example, types of products offered by businesses in this group include equipment used in baking systems and food processing, over-the-road car haulers, laminated oak and composite wood flooring used in the trucking industry as well as ornamental plants and residential homes. The services group is comprised of businesses that provide healthcare, consulting and other types of services to businesses and consumers. For example, types of services offered by businesses in this group include management and technology consulting, behavioral healthcare and retail intelligence.

In November 2019, we acquired VSC Fire & Security, Inc. (VSC), a Virginia-based privately held provider of comprehensive fire protection, life safety and low voltage solutions. Results attributable to VSC are included in our Markel Ventures segment.

In April 2020, we acquired a controlling interest in Lansing Building Products, LLC, a supplier of exterior building products and materials to professional contractors throughout the U.S., which simultaneously acquired the distribution business of Harvey Building Products to enhance its geographic reach and scale (together, Lansing), bringing our ownership in Lansing to 91%. Results attributable to Lansing are included in our Markel Ventures segment.

Insurance-Linked Securities

Our insurance-linked securities operations are primarily comprised of our Nephila and run-off Markel CATCo operations.

In November 2018, we completed the acquisition of all of the outstanding shares of Nephila Holdings Ltd. (together with its subsidiaries, Nephila). Nephila primarily serves as an insurance and investment fund manager headquartered in Bermuda that offers a broad range of investment products, including insurance-linked securities, catastrophe bonds, insurance swaps and weather derivatives.

Nephila serves as the investment manager to several Bermuda, Ireland and U.S. based private funds (the Nephila Funds). To provide access for the Nephila Funds to the insurance, reinsurance and weather markets, Nephila also provides managing general agent services and acts as an insurance manager to certain Bermuda Class 3 and 3A reinsurance companies and Lloyd's Syndicate 2357 (Syndicate 2357) (collectively, the Nephila Reinsurers). The results of the Nephila Reinsurers are attributed to the Nephila Funds primarily through derivative transactions between these entities. Neither the Nephila Funds nor the Nephila Reinsurers are subsidiaries of Markel Corporation, and as such, these entities are not included in our consolidated financial statements.

Our Markel CATCo operations are conducted through Markel CATCo Investment Management Ltd. (MCIM). MCIM is an insurance-linked securities investment fund manager headquartered in Bermuda and through 2019, was focused on building and managing highly diversified, collateralized retrocession and reinsurance portfolios covering global property catastrophe risks. MCIM serves as the insurance manager for Markel CATCo Re Ltd. (Markel CATCo Re), a Bermuda Class 3 reinsurance company, and as the investment manager for Markel CATCo Reinsurance Fund Ltd., a Bermuda exempted mutual fund company comprised of multiple segregated accounts (Markel CATCo Funds). MCIM also serves as the investment manager to CATCo Reinsurance Opportunities Fund Ltd. (CROF), a limited liability closed-end Bermuda exempted mutual fund company listed on a market operated by the London Stock Exchange and on the Bermuda Stock Exchange. CROF invests substantially all of its assets in Markel CATCo Reinsurance Fund Ltd. Both Markel CATCo Re and the Markel CATCo Funds are unconsolidated subsidiaries of Markel Corporation.

In July 2019, MCIM announced it would cease accepting new investments in the Markel CATCo Funds and would not write any new business in Markel CATCo Re. Both the Markel CATCo Funds and Markel CATCo Re have been placed into run-off, returning capital to investors as it becomes available. See note 15 of the notes to consolidated financial statements for further details regarding other developments within our Markel CATCo operations.

In 2019, we established Lodgepine Capital Management Limited (Lodgepine), a new retrocessional insurance-linked securities fund manager in Bermuda. Lodgepine's initial product offering will be Lodgepine Fund Limited, a property catastrophe retrocessional investment fund, which we have been preparing to launch sometime in 2020. However, this timing has been impacted by the recent downturn in global market conditions, and corresponding impact on prospective investor capital allocation decisions. Subject to certain conditions, we have committed to invest up to \$100 million in Lodgepine Fund Limited. Lodgepine Fund Limited initially plans to subscribe to a portfolio of retrocessional reinsurance, which includes contracts written in our Reinsurance segment.

Program Services

Our program services business is conducted through our State National division and is separately managed from our underwriting operations. Our program services business generates fee income, in the form of ceding (program service) fees, by offering issuing carrier capacity to both specialty general agents and other producers who sell, control, and administer books of insurance business that are supported by third parties that assume reinsurance risk, including Syndicate 2357. Through our program services business, we write a wide variety of insurance products, principally including general liability insurance, commercial liability insurance, commercial multi-peril insurance, property insurance and workers' compensation insurance, substantially all of which is ceded to third parties.

Although we reinsure substantially all of the risks inherent in our program services business, we have certain programs that contain limits on our reinsurers' obligations to us that expose us to underwriting risk. Under certain programs, including one program with Syndicate 2357, an unconsolidated affiliate, we bear underwriting risk for annual aggregate agreement year losses in excess of a limit that we believe is highly unlikely to be exceeded. See note 13 of the notes to consolidated financial statements for further details regarding our program with Syndicate 2357.

Critical Accounting Estimates

Critical accounting estimates are those estimates that both are important to the portrayal of our financial condition and results of operations and require us to exercise significant judgment. The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of material contingent assets and liabilities, including litigation contingencies. These estimates, by necessity, are based on assumptions about numerous factors.

Our critical accounting estimates consist of estimates and assumptions used in determining the reserves for unpaid losses and loss adjustment expenses and life and annuity reinsurance benefit reserves as well as estimates and assumptions used in the valuation of goodwill and intangible assets. We review the adequacy of reserves for unpaid losses and loss adjustment expenses and life and annuity reinsurance benefit reserves quarterly. Estimates and assumptions for goodwill and intangible assets are reviewed in conjunction with acquisitions and goodwill and indefinite-lived intangible assets are reassessed for impairment at least annually or when events or circumstances indicate that their carrying value may not be recoverable. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements.

Readers are urged to review our 2019 Annual Report on Form 10-K for a more complete description of our critical accounting estimates. Additionally, see "Recent Developments Related to COVID-19" for further discussion on our interim considerations around the evaluation of goodwill and intangible assets for impairment.

Recent Accounting Pronouncements

See note 2 of the notes to consolidated financial statements for discussion of recently issued accounting pronouncements that we have not yet adopted and the expected effects on our consolidated financial position, results of operations and cash flows.

Results of Operations

The following table presents the components of net income (loss) to shareholders and comprehensive income (loss) to shareholders.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Insurance segment underwriting profit (loss)	\$ 135,073	\$ 47,577	\$ (71,301)	\$ 99,660
Reinsurance segment underwriting profit (loss)	24,755	8,816	(9,204)	12,172
Investing segment profit (loss) ⁽¹⁾	1,006,804	537,286	(586,578)	1,263,407
Markel Ventures segment profit ⁽²⁾	79,404	81,677	121,161	111,589
Other operations ⁽³⁾	(3,776)	(8,910)	(17,148)	(25,552)
Interest expense	(45,427)	(41,267)	(90,457)	(81,557)
Net foreign exchange gains (losses)	(21,460)	25,015	56,841	3,151
Income tax (expense) benefit	(243,702)	(143,711)	126,981	(298,874)
Net income attributable to noncontrolling interests	(9,903)	(9,185)	(14,290)	(10,271)
Net income (loss) to shareholders	921,768	497,298	(483,995)	1,073,725
Net income (loss) to common shareholders	921,768	497,298	(483,995)	1,073,725
Other comprehensive income to shareholders	170,625	126,032	223,579	281,850
Comprehensive income (loss) to shareholders	\$ 1,092,393	\$ 623,330	\$ (260,416)	\$ 1,355,575

- (1) Net investment income and net investment gains (losses), if any, attributable to Markel Ventures are included in segment profit for Markel Ventures. All other net investment income and net investment gains (losses) are included in Investing segment profit (loss).
- (2) Segment profit for the Markel Ventures segment includes amortization of intangible assets attributable to Markel Ventures. Amortization of intangible assets is not allocated to our Insurance and Reinsurance segments.
- (3) Other operations include the results attributable to our operations that are not included in a reportable segment, as well as any amortization of intangible assets that is not allocated to a reportable segment. Amortization of intangible assets attributable to our underwriting segments was \$10.7 million and \$21.1 million for the quarter and six months ended June 30, 2020, respectively, and \$9.8 million and \$19.7 million for the quarter and six months ended June 30, 2019; however, we do not allocate amortization of intangible assets between the Insurance and Reinsurance segments.

Comprehensive loss to shareholders for the six months ended June 30, 2020 reflects significant investing and underwriting losses attributed to COVID-19, a novel coronavirus outbreak that was declared a pandemic by the World Health Organization on March 11, 2020, which has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world.

Comprehensive loss to shareholders for the six months ended June 30, 2020 included pre-tax net investment losses of \$770.2 million compared to pre-tax net investment gains of \$1.0 billion in 2019. We also recognized underwriting losses in both of our underwriting segments for the six months ended June 30, 2020, which included \$325.0 million of pre-tax net losses and loss adjustment expenses directly attributed to COVID-19, compared to underwriting profits in the first half of 2019.

The components of net income (loss) to shareholders and comprehensive income (loss) to shareholders for both the quarter and six months ended June 30, 2020 and 2019 are discussed in detail under "Underwriting Results," "Investing Results," "Markel Ventures," "Other Operations," "Interest Expense and Income Taxes" and "Comprehensive Income (Loss) to Shareholders."

Underwriting Results

Underwriting profits are a key component of our strategy to build shareholder value. We believe that the ability to achieve consistent underwriting profits demonstrates knowledge and expertise, commitment to superior customer service and the ability to manage insurance risk. The 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. We use underwriting profit or loss and the combined ratio as a basis for evaluating our underwriting performance. The combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums. The combined ratio is the sum of the loss ratio and the expense ratio. A combined ratio less than 100% indicates an underwriting profit, while a combined ratio greater than 100% reflects an underwriting loss. The loss ratio represents the relationship of incurred losses and loss adjustment expenses to earned premiums. The expense ratio represents the relationship of underwriting, acquisition and insurance expenses to earned premiums.

The following table presents selected data from our underwriting operations.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gross premium volume ⁽¹⁾	\$ 1,776,167	\$ 1,592,616	\$ 3,702,034	\$ 3,298,341
Net written premiums	1,456,395	1,305,638	\$ 3,102,873	\$ 2,782,731
Net retention ⁽¹⁾	82 %	82 %	84 %	84 %
Earned premiums	1,360,174	1,199,461	\$ 2,690,883	\$ 2,403,438
Losses and loss adjustment expenses	713,216	678,120	\$ 1,789,564	\$ 1,365,866
Underwriting, acquisition and insurance expenses	489,362	462,316	\$ 984,525	\$ 917,528
Underwriting profit (loss)	157,596	59,025	\$ (83,206)	\$ 120,044
U.S. GAAP Combined Ratios				
Insurance	88 %	95 %	103 %	95 %
Reinsurance	90 %	96 %	102 %	97 %
Consolidated	88 %	95 %	103 %	95 %

⁽¹⁾ Gross premium volume and net retention exclude \$597.0 million and \$994.0 million for the quarter and six months ended June 30, 2020, respectively, and \$654.5 million and \$1.2 billion for the quarter and six months ended June 30, 2019, respectively, of written premiums attributable to our program services business and other fronting arrangements that were ceded.

Our consolidated combined ratio was 88% for the quarter ended June 30, 2020 compared to 95% for the same period of 2019. The decrease in the combined ratio was due to a lower expense ratio and lower current accident year loss ratio within both of our underwriting segments, as well as more favorable development on prior accident years' loss reserves in 2020 compared to 2019 within our Insurance segment.

Our consolidated combined ratio was 103% for the six months ended June 30, 2020 compared to 95% for the same period of 2019. The increase in the consolidated combined ratio was driven by losses attributed to the COVID-19 pandemic in 2020, partially offset by more favorable development on prior accident years' loss reserves in 2020 compared to 2019 within our Insurance segment, as well as a lower expense ratio across both of our underwriting segments. Underwriting results for the six months ended June 30, 2020 included \$325.0 million, or 12 points on the consolidated combined ratio, of net losses and loss adjustment expenses attributed to the pandemic. These losses and loss adjustment expenses were net of ceded losses of \$58.0 million.

Beginning in late February, as the COVID-19 outbreak was becoming more widespread, it was identified as a potential exposure within our underwriting operations. We began to regularly review all of our product lines to identify lines of business we believed could be directly impacted by COVID-19 and to evaluate the extent to which the virus may impact our coverages. In those instances where we identified COVID-19 as the proximate, or direct, cause of loss, we established reserves for losses and loss adjustment expenses during the first quarter of 2020. Our direct losses from COVID-19 are primarily attributed to business written within our international insurance operations and are primarily associated with coverages for event cancellation and business interruption losses in policies where no specific pandemic exclusions exist.

The following table summarizes, by coverage and underwriting platform, the components of our net losses and loss adjustment expenses from COVID-19 for the six months ended June 30, 2020, all of which were recorded during the first quarter of 2020. There were no changes in our gross and net loss estimates for COVID-19 during the quarter ended June 30, 2020.

<i>(dollars in millions)</i>	Six Months Ended June 30, 2020		
	Insurance	Reinsurance	Consolidated
Event cancellation			
International	\$ 172.5	\$ —	\$ 172.5
United States	8.5	—	8.5
Business interruption			
International	92.0	2.0	94.0
United States	16.0	15.0	31.0
All other coverages	4.0	15.0	19.0
Total	<u>\$ 293.0</u>	<u>\$ 32.0</u>	<u>\$ 325.0</u>

Both the gross and net loss estimates for COVID-19 continue to represent our best estimate of losses as of June 30, 2020 based upon information currently available. Our estimate for these losses and loss adjustment expenses is based on reported claims, as well as detailed policy level reviews and reviews of in-force assumed reinsurance contracts for potential exposures. We also considered analysis provided by our brokers and claims counsel. There are no historical events with similar characteristics to COVID-19, and therefore we have no past loss experience on which to base our estimates. Additionally, the economic and social impacts of the pandemic continue to evolve.

Significant assumptions on which our estimates of reserves for direct COVID-19 losses and loss adjustment expenses are based include:

- the scope of coverage provided under our policies, particularly those that provide for business interruption coverage, which generally falls under the following three categories:
 - coverage has not been triggered because the policy's insuring agreement has not been satisfied and/or a covered cause of loss has not been established;
 - the policy would not respond because the policy includes a communicable disease, virus or pandemic exclusion; or
 - the policy may provide coverage for communicable diseases and pandemics, but also includes conditions and limitations to coverage;
- coverage provided under our ceded reinsurance contracts;
- the expected duration of the disruption caused by the COVID-19 pandemic, which we have assumed will extend, in varying degrees, beyond the government directives currently in place and may impact certain covered events through the end of the year and beyond; and
- the ability of insureds to mitigate some or all of their losses. For example, in the case of our event cancellation coverages, by deferring the event or moving to a virtual format, and for our business interruption exposures, the ability to continue providing certain services or to provide services remotely.

Due to the inherent uncertainty associated with the assumptions surrounding the COVID-19 pandemic, these estimates are subject to a wide range of variability. Our initial estimates at March 31, 2020 reflected limited claims reporting; however, after considering the additional data gathered through increased claims reporting activity in the second quarter, and while continuing to monitor actual levels of disruption caused by the pandemic, there were no significant changes in our assumptions during the quarter ended June 30, 2020. Our estimates continue to be based on broad assumptions about coverage, liability and reinsurance, which ultimately may be subjected to judicial review or government action. Additionally, it is highly likely that there will be significant litigation involved in the handling of claims associated with COVID-19, and in certain instances, assessing the validity of policy exclusions for pandemics and interpreting policy terms to determine coverage for pandemics, which are in the process of being tested in various judicial systems. While we believe our net reserves for losses and loss adjustment expenses for COVID-19 as of June 30, 2020 are adequate based on information available at this time, we continue to closely monitor reported claims, government actions, judicial decisions and changes in the levels of worldwide social disruption and economic activity arising from the pandemic and will adjust our estimates of gross and net losses as new information becomes available. Such adjustments to our reserves for COVID-19 losses and loss adjustment expenses may be material to our results of operations, financial condition and cash flows. See "Recent Developments Related to COVID-19" for further discussion of other potential exposures arising from the pandemic.

Insurance Segment

The combined ratio for the Insurance segment was 88% for the quarter ended June 30, 2020 compared to 95% for the same period of 2019.

For the quarter ended June 30, 2020, the decrease in the combined ratio was driven by more favorable development on prior accident years' loss reserves, a lower expense ratio and a lower current accident year loss ratio in 2020 compared to 2019. Higher earned premiums in 2020 compared to 2019 had a favorable impact on our expense ratio and an unfavorable impact on the prior years' loss ratio.

- The current accident year loss ratio for the quarter ended June 30, 2020 decreased compared to the same period of 2019 due to lower net attritional losses on our professional liability and marine and energy product lines.
- The Insurance segment's combined ratio for the quarter ended June 30, 2020 included \$151.2 million of favorable development on prior years' loss reserves compared to \$101.7 million for the same period of 2019. The impact on the combined ratio of more favorable development on prior years' loss reserves was partially offset by the unfavorable impact of higher earned premiums in 2020 compared to 2019. The increase in favorable development was primarily due to favorable development on our property product lines in 2020 compared to adverse development in 2019 and more favorable development on our general liability product lines in 2020 compared to 2019. For the quarter ended June 30, 2020, favorable development was most significant on our general liability and workers' compensation product lines across several accident years. The favorable development on prior years' loss reserves in the second quarter of 2019 was most significant on our general liability, workers' compensation and professional liability product lines.
- The expense ratio for the quarter ended June 30, 2020 decreased compared to the same period of 2019 primarily due to the favorable impact of higher earned premiums and lower profit sharing expenses in 2020 compared to 2019.

The combined ratio for the Insurance segment was 103% (including 13 points for losses directly attributed to COVID-19) for the six months ended June 30, 2020 compared to 95% for the same period of 2019.

For the six months ended June 30, 2020, the increase in the combined ratio was driven by the impact of \$293.0 million of losses directly attributed to COVID-19 in 2020, partially offset by more favorable development on prior accident years' loss reserves and a lower expense ratio in 2020 compared to 2019. Higher earned premiums in 2020 compared to 2019 had a favorable impact on our expense ratio and an unfavorable impact on the prior years' loss ratio.

- The Insurance segment's combined ratio for the six months ended June 30, 2020 included \$267.3 million of favorable development on prior years' loss reserves compared to \$174.3 million for the same period of 2019. The impact on the combined ratio of more favorable development on prior years' loss reserves was partially offset by the unfavorable impact of higher earned premiums in 2020 compared to 2019. The increase in favorable development was primarily due to more favorable development on our professional liability product lines in 2020 compared to 2019 and favorable development on our property product lines in 2020 compared to adverse development in 2019. For the six months ended June 30, 2020, favorable development was most significant on our professional liability product lines, primarily on the 2016 to 2019 accident years and general liability and workers' compensation product lines across several accident years. The favorable development on prior years' loss reserves in 2019 was most significant on our general liability, workers' compensation and personal lines product lines.
- The expense ratio for the six months ended June 30, 2020 decreased compared to the same period of 2019 primarily due to the favorable impact of higher earned premiums.

Reinsurance Segment

The combined ratio for the Reinsurance segment was 90% for the quarter ended June 30, 2020 compared to 96% for the same period of 2019.

For the quarter ended June 30, 2020, the decrease in the combined ratio was driven by a lower current accident year loss ratio and lower expense ratio in 2020 compared to 2019, partially offset by less favorable development on prior accident years' loss reserves.

- The current accident year loss ratio for the quarter ended June 30, 2020 decreased compared to the same period of 2019 primarily due to net favorable premium adjustments on prior accident years in 2020, primarily on our professional liability product lines, and improved loss experience within our property product lines in 2020 compared to 2019.
- The Reinsurance segment's combined ratio for the quarter ended June 30, 2020 included \$12.3 million of favorable development on prior years' loss reserves compared to \$18.2 million for the same period of 2019. The decrease in favorable development was primarily due to additional exposure recognized related to net favorable premium adjustments on our professional liability product lines in 2020, described above. For the quarter ended June 30, 2020, favorable development was most significant on our property product lines, primarily on the 2018 accident year, and general liability product lines across several accident years. The favorable development on prior years' loss reserves in the second quarter of 2019 was most significant on our aviation and property product lines.
- The expense ratio for the quarter ended June 30, 2020 decreased compared to the same period of 2019 primarily due to the favorable impact of higher earned premiums and lower profit sharing expenses in 2020 compared to 2019.

The combined ratio for the Reinsurance segment was 102% (including seven points for losses directly attributed to COVID-19) for the six months ended June 30, 2020 compared to 97% for the same period of 2019.

For the six months ended June 30, 2020, the increase in the combined ratio was primarily driven by the impact of \$32.0 million of losses directly attributed to COVID-19 in 2020, partially offset by a lower expense ratio in 2020 compared to 2019.

- Excluding the impact of losses directly attributed to COVID-19 in 2020, the current accident year loss ratio for the six months ended June 30, 2020 decreased compared to the same period of 2019 primarily due to more favorable premium adjustments on prior accident years in 2020 compared to 2019, primarily within our professional liability product lines.
- The Reinsurance segment's combined ratio for the six months ended June 30, 2020 included \$1.6 million of adverse development on prior accident years' loss reserves compared to \$6.9 million of favorable development for the same period in 2019. In 2020, we recognized additional exposure related to net favorable premium adjustments along with adverse development on certain of our professional liability product lines. There was also more adverse development on our public entity product lines in 2020 compared to 2019 and adverse development on our aviation product line in 2020 compared to favorable development in 2019. These unfavorable changes were partially offset by favorable development on our property and general liability product lines in 2020 compared to adverse development in 2019. The favorable development in 2020 on our property product lines was most significant on the 2017 and 2018 accident years and on our general liability product lines across several accident years. The favorable development on prior years' loss reserves in 2019 was most significant on our aviation, whole account and auto product lines.
- The expense ratio for the six months ended June 30, 2020 decreased compared to the same period of 2019 primarily due to lower acquisition costs and the favorable impact of higher earned premiums.

Premiums and Net Retentions

The following tables summarize gross premium volume, net written premiums and earned premiums.

Gross Premium Volume

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Insurance	\$ 1,553,436	\$ 1,368,348	\$ 2,968,147	\$ 2,561,196
Reinsurance	223,277	223,381	736,463	736,758
Other underwriting	282	236	282	(504)
Total Underwriting	1,776,995	1,591,965	3,704,892	3,297,450
Program services and other	596,197	655,182	991,124	1,204,739
Total	\$ 2,373,192	\$ 2,247,147	\$ 4,696,016	\$ 4,502,189

Gross premium volume in our underwriting operations increased 12% for both the quarter and six months ended June 30, 2020 compared to the same periods of 2019. The increase in gross premium volume for the quarter and six months ended June 30, 2020 was attributable to an increase in gross premium volume in our Insurance segment. Also impacting consolidated gross premium volume were gross premiums written through our program services business and other fronting arrangements, which decreased 9% and 18% for the quarter and six months ended June 30, 2020, respectively. The decrease in gross premium volume for both periods was driven by the run-off of one large program and the cancellation of an in-force book of policies related to another large program. Substantially all gross premiums from our program services business and other fronting arrangements were ceded to third parties for the quarter and six months ended June 30, 2020 and 2019. See "Other Operations" for further discussion on gross premiums from our program services operations.

Gross premium volume in our Insurance segment increased 14% and 16% for the quarter and six months ended June 30, 2020, respectively, compared to the same periods of 2019. The increase for both the quarter and six months ended June 30, 2020 was primarily driven by growth within our professional liability, general liability, marine and energy and personal lines product lines.

Gross premium volume in our Reinsurance segment for both the quarter and six months ended June 30, 2020 was comparable to the corresponding periods of 2019. For the quarter ended June 30, 2020, higher gross premiums within our professional liability product lines, primarily due to favorable timing differences and favorable premium adjustments, were offset by lower gross premiums within our property product lines, primarily due to non-renewals and an unfavorable impact from the timing of renewals. For the six months ended June 30, 2020, higher premium volume on a significant treaty within our workers' compensation product line was offset by lower gross premiums within our credit and surety product lines, primarily due to an unfavorable impact from the timing of renewals. Significant variability in gross premium volume can be expected in our Reinsurance segment due to individually significant contracts and multi-year contracts, including the timing of renewals.

During the first half of 2020, we continued to see improved pricing across most of our product lines, the primary exception being workers' compensation, where we continued to see low single digit rate decreases given generally favorable underlying trends in recent years. When we believe the prevailing market price will not support our underwriting profit targets, the business is not written. As a result of our underwriting discipline, gross premium volume may vary when we alter our product offerings to maintain or improve underwriting profitability.

See "Recent Developments Related to COVID-19" for further discussion on potential impacts to our premiums.

Net Written Premiums

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Insurance	\$ 1,267,976	\$ 1,126,170	\$ 2,463,713	\$ 2,124,528
Reinsurance	188,830	178,802	641,579	657,769
Other underwriting	417	15	439	(457)
Total Underwriting	1,457,223	1,304,987	3,105,731	2,781,840
Program services and other	(828)	651	(2,858)	891
Total	\$ 1,456,395	\$ 1,305,638	\$ 3,102,873	\$ 2,782,731

For both the quarters ended June 30, 2020 and 2019, net retention of gross premium volume for our underwriting operations was 82%. For both the six month periods ended June 30, 2020 and 2019, net retention of gross premium volume for our underwriting operations was 84%. Within our underwriting operations, we purchase reinsurance and retrocessional reinsurance to manage our net retention on individual risks and overall exposure to losses and to enable us to write policies with sufficient limits to meet policyholder needs.

Earned Premiums

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Insurance	\$ 1,120,151	\$ 991,269	\$ 2,227,002	\$ 1,964,996
Reinsurance	240,555	207,728	466,515	438,238
Other underwriting	224	15	246	(457)
Total Underwriting	1,360,930	1,199,012	2,693,763	2,402,777
Program services and other	(756)	449	(2,880)	661
Total	\$ 1,360,174	\$ 1,199,461	\$ 2,690,883	\$ 2,403,438

Earned premiums increased 14% and 12% for the quarter and six months ended June 30, 2020, respectively, compared to the same periods of 2019. The increase in earned premiums for both the quarter and six months ended June 30, 2020 was primarily attributable to an increase in earned premiums in both our Insurance and Reinsurance segments.

The increase in earned premiums in our Insurance segment for both the quarter and six months ended June 30, 2020 was primarily due to the increase in gross premium volume within our professional liability and general liability product lines, as described above. The increase in earned premiums in our Reinsurance segment for the quarter ended June 30, 2020 was primarily due to favorable premium adjustments on our professional liability product lines, as described above. The increase in earned premiums in our Reinsurance segment for the six months ended June 30, 2020 was primarily due to an increase in gross premium volume within our workers' compensation product lines and favorable premium adjustments on professional liability product lines.

Investing Results

Our business strategy recognizes the importance of both consistent underwriting and operating profits and superior investment returns to build shareholder value. We rely on sound underwriting practices to produce investable funds while minimizing underwriting risk. We measure investing results by our net investment income and net investment gains as well as our taxable equivalent total investment return.

The following table summarizes our investment performance.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net investment income	\$ 95,615	\$ 111,831	\$ 183,858	\$ 226,013
Net investment gains (losses)	\$ 911,243	\$ 425,653	\$ (770,198)	\$ 1,037,844
Change in net unrealized investment gains on available-for-sale securities ⁽¹⁾	\$ 239,649	\$ 199,754	\$ 331,510	\$ 418,403
Investment yield ⁽²⁾	0.6 %	0.7 %	1.3 %	1.5 %
Taxable equivalent total investment return, before foreign currency effect			0.0 %	9.7 %
Taxable equivalent total investment return			(0.3) %	9.7 %

(1) The change in net unrealized gains on available-for-sale securities excludes the reserve deficiency adjustment for life and annuity benefit reserves of \$22.7 million and \$35.9 million, respectively, for the quarters ended June 30, 2020 and 2019, and \$35.6 million and \$61.8 million, respectively, for the six months ended June 30, 2020 and 2019.

(2) Investment yield reflects net investment income as a percentage of monthly average invested assets at cost.

The decrease in net investment income for the quarter and six months ended June 30, 2020 compared to the same periods of 2019 was driven primarily by lower short-term investment income due to lower short-term interest rates, and lower interest income on our fixed maturity investment portfolio, primarily due to decreased holdings of fixed maturity securities in 2020. The decrease in net investment income for the six months ended June 30, 2020 was also driven by losses on our equity method investments. See note 4(d) of the notes to consolidated financial statements for details regarding the components of net investment income.

Net investment gains for the quarter ended June 30, 2020 were primarily attributable to an increase in the fair value of our equity portfolio driven by favorable market value movements. This follows significant declines in the fair value of our equity portfolio in the first quarter of 2020 driven by unfavorable market value movements resulting from the onset of the COVID-19 pandemic, the impacts of which are further discussed in "Recent Developments Related to COVID-19." The decline in fair value of the equity portfolio in the first quarter of 2020 resulted in net investment losses for the six months ended June 30, 2020. See note 4(e) of the notes to consolidated financial statements for further details on the components of net investment gains (losses).

We also evaluate our investment performance by analyzing taxable equivalent total investment return, which is a non-GAAP financial measure. Taxable equivalent total investment return includes items that impact net income, such as coupon interest on fixed maturity securities, changes in fair value of equity securities, dividends on equity securities and realized investment gains or losses on available-for-sale securities, as well as changes in unrealized gains or losses on available-for-sale securities, which do not impact net income. Certain items that are included in net investment income have been excluded from the calculation of taxable equivalent total investment return, such as amortization and accretion of premiums and discounts on our fixed maturity portfolio, to provide a comparable basis for measuring our investment return against industry investment returns. The calculation of taxable equivalent total investment return also includes the current tax benefit associated with income on certain investments that is either taxed at a lower rate than the statutory income tax rate or is not fully included in U.S. taxable income. We believe the taxable equivalent total investment return is a better reflection of the economics of our decision to invest in certain asset classes. We focus on our long-term investment return, understanding that the level of investment gains or losses may vary from one period to the next.

The following table reconciles investment yield to taxable equivalent total investment return.

	Six Months Ended June 30,	
	2020	2019
Investment yield ⁽¹⁾	1.3 %	1.5 %
Adjustment of investment yield from amortized cost to fair value	(0.3) %	(0.3) %
Net amortization of net premium on fixed maturity securities	0.2 %	0.2 %
Net investment gains (losses) and change in net unrealized investment gains on available-for-sale securities	(2.3) %	7.7 %
Taxable equivalent effect for interest and dividends ⁽²⁾	0.1 %	0.1 %
Other ⁽³⁾	0.7 %	0.5 %
Taxable equivalent total investment return	(0.3) %	9.7 %

(1) Investment yield reflects net investment income as a percentage of monthly average invested assets at amortized cost.

(2) Adjustment to tax-exempt interest and dividend income to reflect a taxable equivalent basis.

(3) Adjustment to reflect the impact of time-weighting the inputs to the calculation of taxable equivalent total investment return.

Markel Ventures

We report the results of our Markel Ventures operations in our Markel Ventures segment. This segment includes a diverse portfolio of businesses from different industries that offer various types of products and services to businesses and consumers, predominantly in the United States. We measure Markel Ventures' results by its operating income and net income, as well as earnings before interest, income taxes, depreciation and amortization (EBITDA). We consolidate the results of our Markel Ventures subsidiaries on a one-month lag, with the exception of any significant transactions or events that occur in the intervening period.

The following table summarizes the operating revenues, operating income, EBITDA and net income to shareholders from our Markel Ventures segment. See note 7 of the notes to consolidated financial statements for further details regarding the components of our Markel Ventures segment operating revenues and expenses.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating revenues	\$ 678,139	\$ 617,185	\$ 1,189,360	\$ 1,072,200
Operating income	\$ 79,404	\$ 81,677	\$ 121,161	\$ 111,589
EBITDA	\$ 105,272	\$ 105,671	\$ 172,732	\$ 160,415
Net income to shareholders	\$ 42,242	\$ 49,832	\$ 59,981	\$ 65,000

The increase in operating revenues from our Markel Ventures segment for the quarter and six months ended June 30, 2020 compared to the same periods of 2019 was due to higher revenues from our services businesses, partially offset by lower revenues from our products businesses. Operating revenues from our Markel Ventures services businesses increased for the quarter and six months ended June 30, 2020 compared to the same periods of 2019 due to the contribution of revenues from Lansing, which was acquired in April 2020, and VSC, which was acquired in November 2019. Operating revenues from our Markel Ventures products businesses decreased 16% and 8% for the quarter and six months ended June 30, 2020, respectively, compared to the same periods of 2019, primarily due to decreased demand for products across many of our businesses attributable to the economic and social disruption caused by the COVID-19 pandemic. For both periods, the decrease in demand, which led to lower sales volumes, had the most significant impact at our transportation-related businesses.

Operating income and EBITDA from our Markel Ventures segment decreased slightly for the quarter ended June 30, 2020 compared to the same period of 2019. Lower operating revenues at our transportation-related businesses and one of our consumer and building products businesses, as a result of decreased demand attributed to the COVID-19 pandemic, were largely offset by the contributions of Lansing and VSC as well as improved operating results at one of our consulting services businesses.

Operating income and EBITDA from our Markel Ventures segment increased for the six months ended June 30, 2020 compared to the same period of 2019, primarily due to the contributions of Lansing and VSC, as well as growth and improved operating results at one of our consulting services businesses. These increases were partially offset by a decrease in income attributable to certain investments held within our Markel Ventures segment and lower operating revenues at one of our transportation-related businesses, as described above.

Markel Ventures EBITDA is a non-GAAP financial measure. We use Markel Ventures EBITDA as an operating performance measure in conjunction with U.S. GAAP measures, including operating revenues, operating income and net income to shareholders, to monitor and evaluate the performance of our Markel Ventures segment. Because EBITDA excludes interest, income taxes, depreciation and amortization, it provides an indicator of economic performance that is useful to both management and investors in evaluating our Markel Ventures businesses as it is not affected by levels of debt, interest rates, effective tax rates or levels of depreciation or amortization resulting from purchase accounting. The following table reconciles Markel Ventures operating income to Markel Ventures EBITDA.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Markel Ventures operating income	79,404	81,677	\$ 121,161	\$ 111,589
Depreciation expense	14,272	13,484	28,134	27,509
Amortization of intangible assets	11,596	10,510	23,437	21,317
Markel Ventures EBITDA	\$ 105,272	\$ 105,671	\$ 172,732	\$ 160,415

Net income to shareholders from our Markel Ventures segment decreased for the quarter ended June 30, 2020 compared to the same period of 2019, primarily due to lower operating income and higher interest expense. Net income to shareholders decreased for the six months ended June 30, 2020 compared to the same period of 2019 as higher income tax expense and interest expense more than offset higher operating income.

See "Recent Developments Related to COVID-19" for further discussion of impacts of the pandemic on our Markel Ventures operations.

Other Operations

The following table presents the components of operating revenues and operating expenses that are not included in a reportable segment.

	Quarter Ended June 30,					
	2020			2019		
	Services and other revenues	Services and other expenses	Amortization of intangible assets	Services and other revenues	Services and other expenses	Amortization of intangible assets
<i>(dollars in thousands)</i>						
Other operations:						
Insurance-linked securities	\$ 54,551	\$ 46,484	\$ 9,612	\$ 50,215	\$ 52,299	\$ 10,038
Program services	25,192	4,173	5,234	25,762	5,326	5,234
Life and annuity	152	5,502	—	346	5,943	—
Other	7,003	6,125	657	8,861	7,368	681
	86,898	62,284	15,503	85,184	70,936	15,953
Underwriting operations			10,655			9,837
Total	\$ 86,898	\$ 62,284	\$ 26,158	\$ 85,184	\$ 70,936	\$ 25,790

	Six Months Ended June 30,					
	2020			2019		
	Services and other revenues	Services and other expenses	Amortization of intangible assets	Services and other revenues	Services and other expenses	Amortization of intangible assets
<i>(dollars in thousands)</i>						
Other operations:						
Insurance-linked securities	\$ 107,718	\$ 100,319	\$ 19,224	\$ 103,623	\$ 112,883	\$ 24,137
Program services	51,042	11,327	10,468	50,551	10,878	10,468
Life and annuity	530	11,550	—	767	12,495	—
Other	14,726	13,092	1,339	17,618	14,416	1,369
	174,016	136,288	31,031	172,559	150,672	35,974
Underwriting operations			21,144			19,677
Total	\$ 174,016	\$ 136,288	\$ 52,175	\$ 172,559	\$ 150,672	\$ 55,651

Insurance-Linked Securities

The increase in operating revenues in our insurance-linked securities operations for both the quarter and six months ended June 30, 2020 compared to the same periods of 2019 was due to higher revenues from our Nephila operations, partially offset by lower revenues from our Markel CATCo operations. The increase in operating revenues at our Nephila operations for both periods was primarily due to growth in our managing general agent operations. The increase at our Nephila operations for the six months ended June 30, 2020 was partially offset by lower investment management and incentive fees due to increases in development class assets, or capital held in a side-pocket for which management fees are not earned, and redemptions in 2020. Nephila's net assets under management were \$9.5 billion and \$10.4 billion as of June 30, 2020 and December 31, 2019, respectively. The decrease in operating revenues at our Markel CATCo operations for both periods was primarily due to lower assets under management during 2020 compared to 2019 and, effective January 1, 2020, a further reduction in the management fee rate. MCIM's net assets under management were \$2.1 billion and \$2.8 billion as of June 30, 2020 and December 31, 2019, respectively, a portion of which is attributable to our investments in the Markel CATCo Funds.

The decrease in services and other expenses in our insurance-linked securities operations for both the quarter and six months ended June 30, 2020 compared to the same periods of 2019 was primarily due to lower operating expenses at our Markel CATCo operations, partially offset by start-up costs in 2020 associated with our new retrocessional insurance-linked securities fund manager, Lodgepine. The decrease in services and other expenses at our Markel CATCo operations for both periods was primarily attributable to lower costs associated with the internal review of matters at our Markel CATCo operations and related litigation costs in 2020 compared to 2019, as the internal review was completed in 2019. See note 15 of the notes to consolidated financial statements for further details around developments in our Markel CATCo operations. Services and other expenses at our Nephila operations for both the quarter and six months ended June 30, 2020 were consistent with expenses for the same periods of 2019. For the six months ended June 30, 2020, higher operating expenses from our Nephila operations, primarily attributable to growth in our managing general agent operations in 2020, were offset by transaction-related costs in 2019 that did not recur in 2020.

In all periods, operating revenues attributed to our Nephila operations exceeded the related services and other expenses.

Program Services

Operating revenues in our program services operations for both the quarter and six months ended June 30, 2020 were consistent with the same periods of 2019. Services and other expenses decreased for the quarter ended June 30, 2020 compared to the same period of 2019 due to lower general and profit sharing expenses. Services and other expenses for the six months ended June 30, 2020 were consistent with the same period of 2019. The increase in our allowance for credit losses in 2020 due to the decline in short-term economic conditions as forecasted in 2020 as a result of expected impacts from the COVID-19 pandemic was offset by lower general and profit sharing expenses.

Gross written premiums in our program services operations were \$591.2 million and \$984.4 million for the quarter and six months ended June 30, 2020, respectively, and \$655.2 million and \$1.2 billion for the quarter and six months ended June 30, 2019, respectively. The decrease in gross premium volume for both periods was driven by the run-off of one large program and the cancellation of an in-force book of policies related to another large program resulting in a one-time unfavorable premium adjustment of \$55.0 million associated with the return of unearned premium, which was recognized in the first quarter of 2020. These decreases were partially offset by gross written premiums from new program business in 2020.

Interest Expense and Income Taxes

Interest Expense

Interest expense was \$45.4 million and \$90.5 million for the quarter and six months ended June 30, 2020, respectively, compared to \$41.3 million and \$81.6 million for the same periods of 2019. The increase in interest expense for both periods was primarily due to interest expense associated with our 3.35% and 4.15% unsecured senior notes issued in the third quarter of 2019 and interest expense associated with our 5.0% unsecured senior notes issued in the second quarter of 2019. In both periods, these increases were partially offset by lower interest expense resulting from the repayment of our 7.125% unsecured senior notes in the third quarter of 2019 as well as the purchase and redemption of our 6.25% and 5.35% unsecured senior notes in the third and fourth quarters of 2019.

Income Taxes

The effective tax rate was 21% and 22% for the six months ended June 30, 2020 and 2019, respectively.

Comprehensive Income (Loss) to Shareholders

The following table summarizes the components of comprehensive income (loss) to shareholders.

<i>(dollars in thousands)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss) to shareholders	\$ 921,768	\$ 497,298	\$ (483,995)	\$ 1,073,725
Other comprehensive income				
Change in net unrealized gains on available-for-sale investments, net of taxes	171,276	129,270	236,840	281,355
Other, net of taxes	(521)	(3,234)	(13,255)	504
Other comprehensive income attributable to noncontrolling interest	(130)	(4)	(6)	(9)
Other comprehensive income to shareholders	170,625	126,032	223,579	281,850
Comprehensive income (loss) to shareholders	\$ 1,092,393	\$ 623,330	\$ (260,416)	\$ 1,355,575

Book Value per Common Share and Total Shareholder Return

Book value per common share was \$783.58 as of June 30, 2020, which reflects a decrease of 2% from \$802.59 at December 31, 2019, primarily due to \$484.0 million of net loss to common shareholders, as shown above. Our stock price per share, or total shareholder return, decreased 19% for the six months ended June 30, 2020.

Financial Condition

Investments, cash and cash equivalents and restricted cash and cash equivalents (invested assets) were \$22.3 billion at both June 30, 2020 and December 31, 2019. Equity securities were \$5.7 billion, or 25% of invested assets, at June 30, 2020, compared to \$7.6 billion, or 34% of invested assets, at December 31, 2019. The decrease in equity securities from December 31, 2019 to June 30, 2020 was attributable to a decrease in fair value, driven by unfavorable market value movements, as well as sales of equity securities. Fixed maturity securities were 45% of invested assets at both June 30, 2020 and December 31, 2019.

Net cash provided by operating activities was \$488.7 million for the six months ended June 30, 2020 compared to \$249.2 million for the same period of 2019. Net cash flows from operating activities for the six months ended June 30, 2020 reflected lower claims settlement activity in both of our underwriting segments and higher net premium collections in our Insurance segment compared to 2019. Also reflected in net cash provided by operating activities for 2020 were lower cash flows from our Nephila managing general agent operations, due in part to timing differences, as well as lower net premium collections in our program services operations primarily due to the in-force cancellation of a large program, which resulted in the return of funds collateralizing unearned premiums on the account.

Net cash provided by investing activities was \$1.1 billion for the six months ended June 30, 2020 compared to net cash used by investing activities of \$521.6 million for the same period of 2019. During the six months ended June 30, 2020, net cash provided by investing activities included \$1.2 billion from sales of equity securities, net of cash used for purchases of equity securities. Net cash provided by investing activities was offset in part by \$547.9 million of net cash used for the acquisition of Lansing. Additionally, in response to COVID-19 beginning in late February, we began retaining proceeds from maturities of short-term investments and fixed maturity securities in cash and cash equivalents, thereby reducing our holdings of short-term investments and fixed maturity securities. Late in the second quarter, we started reallocating cash to purchase short-term investments and fixed maturity securities. See "Recent Developments Related to COVID-19" for further discussion of actions we have taken in our investment portfolio in response to the pandemic. During the six months ended June 30, 2019, net cash used by investing activities included \$212.5 million of cash to acquire a minority ownership interest in The Hagerty Group, LLC. Cash flow from investing activities is also affected by various factors such as anticipated payment of claims, financing activity, acquisition opportunities and individual buy and sell decisions made in the normal course of our investment portfolio management.

Net cash provided by financing activities was \$607.5 million for the six months ended June 30, 2020 compared to \$520.2 million for the same period of 2019. In May 2020, we issued preferred shares with net proceeds of \$591.9 million, as further discussed below. In May 2019, we issued unsecured senior notes with net proceeds of \$592.2 million, before expenses. Cash of \$23.9 million and \$69.3 million was used to repurchase shares of our common stock during the first six months of 2020 and 2019, respectively. We suspended repurchases of our shares in March 2020.

We seek to maintain prudent levels of liquidity and financial leverage for the protection of our policyholders, creditors and shareholders. Our debt to capital ratio was 24% at both June 30, 2020 and December 31, 2019.

We have access to various capital sources, including dividends from certain of our insurance and Markel Ventures subsidiaries, holding company invested assets, undrawn capacity under our revolving credit facility and access to the debt and equity capital markets. We believe that we have sufficient liquidity to meet our capital needs. However, the availability of these sources of capital and the availability and terms of future financings will depend on a variety of factors, and could be adversely affected by, among other things, risks and uncertainties related to COVID-19. See "Recent Developments Related to COVID-19" for further discussion of the potential impacts of COVID-19 on our liquidity and capital resources.

In May 2020, we issued 600,000 6.00% Fixed-Rate Reset Non-Cumulative Series A preferred shares, with no par value and a liquidation preference of \$1,000 per share, for aggregate net proceeds after expenses of \$591.9 million. Dividends, if declared by our Board of Directors, are payable semi-annually in arrears beginning in December 2020. If we do not declare and pay the full dividends for the latest completed dividend period on all outstanding Series A preferred shares, we may not (i) declare or pay a dividend on our common shares or (ii) purchase, redeem or otherwise acquire for consideration any common shares, subject to certain exceptions. See note 14 of the notes to consolidated financial statements.

Our holding company had \$3.7 billion and \$4.0 billion of invested assets at June 30, 2020 and December 31, 2019, respectively. The decrease in invested assets was primarily due to a capital contribution to Markel Ventures for the acquisition of Lansing and a decrease in the fair value of equity securities, partially offset by the proceeds from our preferred shares offering, as described above.

Recent Developments Related to COVID-19

On March 11, 2020, COVID-19, a novel coronavirus outbreak, was declared a pandemic by the World Health Organization. This pandemic has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world. In addition to the losses incurred in both our investing and underwriting operations during the first six months of 2020, and the decreased demand for certain products and services within our Markel Ventures operations, we are experiencing significant impacts across our business operations. Most of the workforce in our insurance operations is working remotely from their homes, however, some of our offices have started to re-open to the workforce at a reduced capacity. We have taken significant measures and developed new policies and procedures to protect the health and safety of our employees who are returning the office. While remote working continues to be the predominate approach, and is currently operating effectively, an extended period of remote work arrangements could strain our business continuity plans, introduce or increase operational and control risks, including but not limited to increased cybersecurity risks, and impact our ability to effectively manage our businesses. Within our Markel Ventures operations, most of our businesses are operating on their premises, however, their ability to continue to do so may be impacted as the pandemic evolves. For those employees in our insurance and Markel Ventures operations who are returning to work, or have continued work, on our premises, there is a risk that they will contract COVID-19, which could expose us to increased risk of employment related claims and litigation. Illnesses suffered by key employees, or a significant percentage of our workforce also could prevent or delay the performance of critical business functions.

We are committed to serving the needs of our employees, customers, business partners and shareholders and have developed a COVID-19 response team to monitor our efforts around safeguarding our people, supporting our front office and business operations, understanding and managing our loss exposures and other risks associated with COVID-19 and keeping our employees, customers, business partners and shareholders informed.

Other impacts we have experienced in our operations during the quarter and six months ended June 30, 2020, including our consideration of these impacts on the valuation of our goodwill and intangible assets, as well as steps we are taking to respond to the economic disruption and dislocation caused by the pandemic, are discussed below, along with potential future impacts to our results of operations and financial condition.

Liquidity and Capital Resources

We seek to maintain prudent levels of liquidity and financial leverage for the protection of our policyholders, creditors and shareholders. We began the year in a strong liquidity position, holding \$4.0 billion of invested assets at our holding company, the highest level in our history, and at June 30, 2020, our holding company held \$3.7 billion of invested assets. Invested assets at the holding company as of June 30, 2020 include net proceeds from our May 2020 issuance of preferred stock totaling \$591.9 million, and following two debt issuances in 2019 and the purchase and redemption of our unsecured senior notes due to mature in 2020 and 2021, we have no unsecured senior notes maturing until July 2022. We continue to maintain a fixed maturity portfolio comprised of high credit quality, investment grade securities with an average rating of "AA." Despite a \$777.1 million decrease in the fair value of our equity portfolio in the first six months of 2020, unrealized gains on our equity portfolio were \$2.8 billion as of June 30, 2020.

Given the dislocation in the financial markets and related uncertainty around the global credit markets, we have taken several steps within our investment portfolio to increase our allocation to cash. Initially, we were retaining cash proceeds from maturities of short-term investments and fixed maturity securities, although recently we have started reallocating some cash to purchase short-term investments and fixed maturity securities. We also paused our purchases of equity securities and have sold certain equity securities based on our views of the underlying fundamentals of these positions and where pricing was deemed appropriate. We also suspended repurchases of our shares in March 2020 and are focusing on expense reductions across our Company.

The recent declines in the fair value of our equity securities and underwriting losses arising from COVID-19 have reduced the capital held by our insurance subsidiaries. Our insurance operations may require additional capital to support premium writings, and we remain committed to maintaining adequate capital and surplus at each of our insurance subsidiaries. As of June 30, 2020, the statutory capital of all of our insurance subsidiaries exceeded required capital, and we believe we are well positioned to continue to pay claims, including those arising from the pandemic, promptly in accordance with the terms of our policies.

We continue to believe we have adequate liquidity to meet our capital and operating needs, including that which may be required to support the operating needs of our subsidiaries.

Underwriting Operations

As previously discussed, our underwriting results for the six months ended June 30, 2020 included \$325.0 million of net losses and loss adjustment expenses directly attributed to COVID-19, all of which was recorded during the first quarter. Due to the inherent uncertainty associated with the assumptions surrounding this pandemic, these estimates are subject to a wide range of variability. While we believe our net reserves for direct losses and loss adjustment expenses for COVID-19 as of June 30, 2020 are adequate based on information available at this time, we continue to closely monitor reported claims, government actions, judicial decisions and changes in local and worldwide social disruption arising from the pandemic and will adjust our estimates of gross and net losses as new information becomes available. See "Results of Operations - Underwriting Results" for further discussion on our estimate of losses and loss adjustment expenses attributed to COVID-19.

As efforts to respond to the pandemic continue to evolve, we expect that losses indirectly related to the COVID-19 pandemic and associated with a broader range of coverages are likely to emerge. As an example, we provide liability coverage for health and medical institutions and professions, as well as other professions, which have been strained or otherwise impacted by the pandemic. Other product lines that may be impacted by losses derived from COVID-19 include, among others, our trade credit business and workers' compensation product lines, as well as our reinsurance product lines. No material losses have been reported at this time. Losses attributed to these exposures that are indirectly related to COVID-19 will be recognized in the period incurred.

The widespread economic and social disruption caused by COVID-19 has created significant financial hardships for individuals and businesses worldwide. However, at this time, we do not believe there has been any material change in our exposure to credit losses. Our allowances for credit losses in both our insurance receivables and reinsurance recoverables were adjusted during the first quarter of 2020 to reflect the increased credit risk associated with the negative economic outlook, the impact of which was not material to our underwriting results.

The significant decline in economic activity occurring during the pandemic may have an unfavorable impact on our premium volume, due to business closures, reduced recreational activity and lower gross receipts, revenues and payrolls of our insureds, among other things. While premium volume for the three and six months ended June 30, 2020 was impacted by these effects of the pandemic, the impact was not material to our underwriting results. For those policies where the underlying loss exposures have been reduced as a result of decreased economic activity or stay-at-home orders resulting from COVID-19, we also may be required to refund premiums to policyholders, however, there have been no material adjustments to date. These adverse impacts on our premium volume could be material.

Within our underwriting operations, we also are reviewing and analyzing the underwriting guidelines and procedures we use to underwrite and reinsure policies that provide coverages related to communicable diseases, viruses, pathogens and other similar risks. Where appropriate, we are taking steps to mitigate our exposure to additional or further losses related to these types of risks, including increasing pricing and adding policy terms and conditions, including exclusions. These actions may reduce premium volume in certain classes of business.

Markel Ventures Operations

Beginning in the second quarter of 2020, the economic and social disruption created by the pandemic impacted the results of operations, financial position and cash flows of our Markel Ventures operations. Revenues across many of our businesses decreased due to changes in consumer behavior and the overall impact of current economic conditions on commercial and consumer spending, all of which impacted demand for certain products and services within our businesses. We have also seen orders and contracts canceled or postponed, and we have temporarily reduced capacity at certain of our operations for which the duration is currently uncertain. As the social and economic disruption caused by the pandemic is ongoing, we expect that revenues from our Markel Ventures operations will continue to be impacted, and these impacts may continue to be material.

In order to partially mitigate the impact of decreased revenues, certain of our businesses are taking actions to reduce expenses, including, but not limited to, elimination of non-essential expenses, cancellation or deferral of open positions, salary reductions and workforce furloughs and reductions. Our businesses may increase borrowings, if needed, to maintain the cash flow required to operate.

Continued loss of revenues in both our products and services businesses, the extent of which we are currently unable to estimate, could also impact the carrying value of inventory, goodwill and intangible assets and other long-lived assets, which may become impaired. See further discussion below for considerations regarding the valuation of our goodwill and intangible assets as of June 30, 2020. In certain cases, revenue declines also could result in ongoing cash and working capital constraints and could impact the companies' liquidity and their ability to comply with debt covenants, and, in response, we may take steps necessary to support these operations.

As a result of the economic hardship experienced by our customers, we may modify our payment terms or offer discounts to our customers, and we also are exposed to increased credit risk. Our allowances for credit losses on our receivables were adjusted during the first quarter of 2020 to reflect the increased credit risk associated with the negative economic outlook, the impact of which was not material to our results of operations.

Insurance-Linked Securities and Program Services

Through our insurance-linked securities operations, we receive management fees for investment and insurance management services based on the net asset value of the accounts we manage, and, for certain funds, incentive fees based on the annual performance of the funds managed.

For the six months ended June 30, 2020, investment losses within the investment funds we manage have not been significant; however, uncertainty around potential COVID-19 loss exposures, has reduced, and may further reduce, the net asset value on which our management fees are based. Deferred or reduced investment management fees and the associated decline in cash flows, the extent of which we are currently unable to estimate, also could impact the carrying value of our goodwill and intangible assets, which may become impaired. See further discussion below for considerations regarding the valuation of our goodwill and intangible assets as of June 30, 2020.

Volatility in the capital markets and investor uncertainty regarding insurance industry exposure to COVID-19 also has impacted, and may continue to impact, our ability to raise additional third party capital for the funds we manage. We also have experienced, and may continue to experience, higher than anticipated investor redemptions from our funds. These impacts could have a material impact on our results of operations and financial condition.

Our program services business generates fee income, in the form of ceding (program service) fees. This fee income is calculated based on the gross premium volume of the insurance programs we support. Similar to our underwriting operations, the significant decline in economic activity may have an unfavorable impact on premium volume, which may result in a reduction in fee income.

Goodwill and Intangible Assets

Our consolidated balance sheet as of June 30, 2020 included goodwill and intangible assets of \$4.5 billion, as follows:

<i>(dollars in millions)</i>	June 30, 2020			
	Underwriting	Markel Ventures	Other ⁽¹⁾	Total
Goodwill	\$ 891.9	\$ 908.3	\$ 806.3	\$ 2,606.5
Intangible assets	462.7	654.7	748.3	1,865.7
Total	\$ 1,354.6	\$ 1,563.0	\$ 1,554.6	\$ 4,472.2

(1) Amounts included in Other reflect our operations that are not included in a reportable segment, including our insurance-linked securities operations and our program services operations.

Through June 30, 2020, we considered whether a quantitative assessment of goodwill and intangible assets for impairment was required as a result of the significant economic disruption caused by the COVID-19 pandemic. After considering qualitative factors regarding the actual and expected impacts of the pandemic on our operations, as well as the amount by which the fair value of our reporting units exceeded their respective carrying values at the date of the last quantitative assessment, we determined these conditions did not indicate that it is more likely than not that the carrying value of any of our reporting units exceeded their fair value as of June 30, 2020 based on information available to us at this time. Similar factors were considered to determine if these circumstances were an indicator requiring an assessment of the recoverability of our intangible assets, and we concluded they were not based on information available to us at this time. However, delayed recovery or further deterioration in market conditions related to the general economy and the specific industries in which we operate, a sustained trend of weaker than anticipated financial performance within a reporting unit, or an increase in the market-based weighted average cost of capital, among other factors, could significantly impact the impairment analysis and may result in future goodwill or intangible asset impairment charges that, if incurred, could have a material adverse effect on our financial condition and results of operations.

For additional risks to our businesses related to COVID-19, see the risk factor titled "The COVID-19 pandemic has had, and may continue to have, material adverse effects on us."

Brexit Developments

On June 23, 2016, the United Kingdom (U.K.) voted to exit the European Union (E.U.) (Brexit). A Withdrawal Agreement was agreed between the U.K. government and the E.U. in October 2019 and was approved by the U.K. Parliament on January 23, 2020. Under the Withdrawal Agreement, the U.K. left the E.U. on January 31, 2020. The effect of the Withdrawal Agreement is that E.U. laws continue to have effect in the U.K. during a transition period until December 31, 2020. The final terms of the future relationship between the U.K. and the E.U. remain to be negotiated. The effects of Brexit will depend in part on agreements, if any, the U.K. makes to retain access to E.U. markets. Ultimately, all Brexit terms also must be ratified by the legislative bodies of the 27 E.U. member states.

Without a Brexit agreement on future terms of trade, U.K. based insurers may be prohibited from administering policies for, or paying claims to, European Economic Area (EEA) policyholders post Brexit. In order to provide certainty for its EEA policyholders, our U.K. insurance company, Markel International Insurance Company Limited, transferred its legacy EEA exposures, claims and policies to our German insurance company, Markel Insurance SE. Lloyd's also has commenced its transfer of legacy EEA exposures. That transfer is expected to be completed prior to December 31, 2020, however it may take longer, and there is no assurance that approval of that transfer will be granted or on what terms and conditions. Lloyd's has indicated that it intends to honor contractual commitments, including the payment of valid claims, and expects that its approach will be respected by EEA regulators pending the completion of its transfer of legacy EEA exposures. The European Insurance and Occupational Pensions Authority has issued its recommendation to E.U. member states that they adopt legislation to permit the orderly run-off of legacy EEA exposures, claims and policies by U.K. insurers. While some E.U. member states have adopted such legislation, no E.U. member state is obligated to do so, and the terms of any such legislation may vary significantly among the E.U. member states. Without an orderly run-off regime for legacy business in every E.U. member state, Lloyd's, and in turn, our Lloyd's syndicate, may be impaired in running-off business, including paying claims, in the E.U. member states.

For additional risks related to Brexit, see "The exit of the United Kingdom from the European Union could have a material adverse effect on us." under Risk Factors in our 2019 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures

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 currency exchange rates and commodity prices. Our consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk. Our primary market risks have been equity price risk associated with investments in equity securities, interest rate risk associated with investments in fixed maturity securities and foreign currency exchange rate risk associated with our international operations. Some businesses within our Market Ventures operations are exposed to commodity price risk resulting from changes in the price of raw materials, parts and other components necessary to manufacture products, however, this risk is not material to the Company. The operating results of these businesses could be adversely impacted should they be unable to obtain price increases from customers in response to significant increases in raw materials, parts and other component prices.

During the six months ended June 30, 2020, there were no material changes to the market risk components described in our Annual Report on Form 10-K for the year ended December 31, 2019.

The estimated fair value of our investment portfolio at June 30, 2020 was \$22.3 billion, 45% of which was invested in fixed maturity securities and 25% of which was invested in equity securities. At December 31, 2019, the estimated fair value of our investment portfolio was \$22.3 billion, 45% of which was invested in fixed maturity securities and 34% of which was invested in equity securities.

Our fixed maturity portfolio includes corporate bonds, mortgage-backed securities and securities issued by municipalities, foreign governments and non-sovereign foreign institutions. Credit risk exists within our fixed maturity portfolio from the potential for loss resulting from adverse changes in an issuer's ability to repay its debt obligations. During the six months ended June 30, 2020, there were no material changes in our corporate bond, mortgage-backed security, municipal bond or foreign government fixed maturity holdings.

We believe that our fixed maturity portfolio is highly diversified and is comprised of high quality securities. We have consistently invested in high credit quality, investment grade securities. Our fixed maturity portfolio has an average rating of "AA," with 98% rated "A" or better by at least one nationally recognized rating organization. Our policy is to invest in investment grade securities and to minimize investments in fixed maturity securities that are unrated or rated below investment grade. At June 30, 2020, less than 1% of our fixed maturity portfolio was unrated or rated below investment grade. Our fixed maturity portfolio includes securities issued with financial guaranty insurance. We purchase fixed maturity securities based on our assessment of the credit quality of the underlying assets without regard to insurance.

We also have credit risk to the extent any of our reinsurers are unwilling or unable to meet their obligations under our ceded reinsurance agreements. As of December 31, 2019, all of our ten largest reinsurers within our underwriting operations were rated "A" or better by A.M. Best and within our program services business, six of our ten largest reinsurers were rated "A" or better by A.M. Best. For reinsurers within our program services business with a credit rating of lower than "A" we employ a stringent collateral monitoring program, under which the majority of the reinsurance recoverable balances are fully collateralized. During the six months ended June 30, 2020, there were no material changes to the credit ratings of our top ten reinsurers within our underwriting and program services operations as reported in our Annual Report on Form 10-K for the year ended December 31, 2019.

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15 (Disclosure Controls). This evaluation was conducted under the supervision and with the participation of our management, including the Co-Principal Executive Officers (Co-PEOs) and the Principal Financial Officer (PFO).

Our management, including the Co-PEOs and PFO, does not expect that our 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, 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 our controls evaluation, the Co-PEOs and PFO concluded that effective Disclosure Controls were in place to ensure that the information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

During the second quarter of 2020, we implemented a new investment accounting system that replaced the legacy system used to account for our investment portfolio. This system eliminates certain manual processes and provides enhanced reporting capabilities. As part of this implementation, we evaluated the impact of this new system, and the related changes in workflows and integration points, on our internal control over financial reporting and made changes to controls and procedures where necessary to support these new processes.

There were no other changes in our internal control over financial reporting during the second quarter of 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Safe Harbor and Cautionary Statement

This report contains statements concerning or incorporating our expectations, assumptions, plans, objectives, future financial or operating performance and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management.

There are risks and uncertainties that may cause actual results to differ materially from predicted results in forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additional factors that could cause actual results to differ from those predicted are set forth under "Business Overview," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Annual Report on Form 10-K and under "Recent Developments Related to COVID-19" and "Risk Factors" in this report, or are included in the items listed below:

- current global economic, market and industry conditions, as well as significant volatility, uncertainty and disruption caused by the COVID-19 pandemic, including governmental, legislative, judicial or regulatory actions or developments affecting our businesses;
- our expectations about future results of our underwriting, investing, Markel Ventures and other operations 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 effect of cyclical trends on our underwriting, investing, Markel Ventures and other operations, including demand and pricing in the insurance, reinsurance and other markets in which we operate;
- actions by competitors, including the use of technology and innovation to simplify the customer experience, increase efficiencies, redesign products, alter models and effect other potentially disruptive changes in the insurance industry, and the effect of competition on market trends and pricing;
- our efforts to develop new products, expand in targeted markets or improve business processes and workflows may not be successful and may increase or create new risks (e.g., insufficient demand, change to risk exposures, distribution channel conflicts, execution risk, increased expenditures);
- the frequency and severity of man-made and natural catastrophes (including earthquakes, wildfires and weather-related catastrophes) may exceed expectations, are unpredictable and, in the case of wildfires and weather-related catastrophes, may be exacerbated if, as many forecast, changing conditions in the oceans and atmosphere result in increased hurricane, flood, drought or other adverse weather-related activity;
- we offer insurance and reinsurance coverage against terrorist acts in connection with some of our programs, and in other instances we are legally required to offer terrorism insurance; in both circumstances, we actively manage our exposure, but if there is a covered terrorist attack, we could sustain material losses;
- emerging claim and coverage issues, changing legal and social trends, and inherent uncertainties in the loss estimation process can adversely impact the adequacy of our loss reserves and our allowance for reinsurance recoverables;
- reinsurance reserves are subject to greater uncertainty than insurance reserves, primarily because of reliance upon the original underwriting decisions made by ceding companies and the longer lapse of time from the occurrence of loss events to their reporting to the reinsurer for ultimate resolution;
- inaccuracies (whether due to data error, human error or otherwise) in the various modeling techniques and data analytics (e.g., scenarios, predictive and stochastic modeling, and forecasting) we use to analyze and estimate exposures, loss trends and other risks associated with our insurance and insurance-linked securities businesses could cause us to misprice our products or fail to appropriately estimate the risks to which we are exposed;
- changes in the assumptions and estimates used in establishing reserves for our life and annuity reinsurance book (which is in runoff), for example, changes in assumptions and estimates of mortality, longevity, morbidity and interest rates, could result in material increases in our estimated loss reserves for such business;
- adverse developments in insurance coverage litigation or other legal or administrative proceedings could result in material increases in our estimates of loss reserves;
- initial estimates for catastrophe losses are often based on limited information, are dependent on broad assumptions about the nature and extent of losses, coverage, liability and reinsurance, and those losses may ultimately differ materially from our expectations;

- changes in the availability, costs, quality and providers of reinsurance coverage, which may impact our ability to write or continue to write certain lines of business or to mitigate the volatility of losses on our results of operations and financial condition;
- the ability or willingness of reinsurers to pay balances due may be adversely affected by industry and economic conditions, deterioration in reinsurer credit quality and coverage disputes, and collateral we hold, if any, may not be sufficient to cover a reinsurer's obligation to us;
- after the commutation of ceded reinsurance contracts, any subsequent adverse development in the re-assumed loss reserves will result in a charge to earnings;
- regulatory actions can impede our ability to charge adequate rates and efficiently allocate capital;
- general economic and market conditions and industry specific conditions, including extended economic recessions or expansions; prolonged periods of slow economic growth; inflation or deflation; fluctuations in foreign currency exchange rates, commodity and energy prices and interest rates; volatility in the credit and capital markets; and other factors;
- economic conditions, actual or potential defaults in corporate bonds, municipal bonds, mortgage-backed securities or sovereign debt obligations, volatility in interest and foreign currency exchange rates and changes in market value of concentrated investments can have a significant impact on the fair value of our fixed maturity securities and equity securities, as well as the carrying value of our other assets and liabilities, and this impact may be heightened by market volatility and our ability to mitigate our sensitivity to these changing conditions;
- economic conditions may adversely affect our access to capital and credit markets;
- the effects of government intervention, including material changes in the monetary policies of central banks, to address financial downturns and economic and currency concerns;
- the impacts that political and civil unrest and regional conflicts may have on our businesses and the markets they serve or that any disruptions in regional or worldwide economic conditions generally arising from these situations may have on our businesses, industries or investments;
- the impacts that health epidemics and pandemics, including the COVID-19 pandemic, as well as actions of local, state and federal authorities in response thereto, may have on our business operations and claims activity;
- the impact on our businesses in the event of a repeal, in part or in whole, or modification of U.S. health care reform legislation and regulations;
- changes in U.S. tax laws, regulations or interpretations, or in the tax laws, regulations or interpretations of other jurisdictions in which we operate, and adjustments we may make in our operations or tax strategies in response to those changes;
- a failure of our enterprise information technology systems and those maintained by third parties upon which we may rely, or a failure to comply with data protection or privacy regulations;
- outsourced providers may fail to perform as we anticipate or may breach their obligations to us;
- our acquisitions may increase our operational and control risks for a period of time;
- we may not realize the contemplated benefits, including cost savings and synergies, of our acquisitions;
- any determination requiring the write-off of a significant portion of our goodwill and intangible assets;
- the failure or inadequacy of any methods we employ to manage our loss exposures;
- the loss of services of any executive officer or other key personnel could adversely impact one or more of our operations;
- the manner in which we manage our global operations through a network of business entities could result in inconsistent management, governance and oversight practices and make it difficult for us to implement strategic decisions and coordinate procedures;
- our substantial international operations and investments expose us to increased political, operational and economic risks, including foreign currency exchange rate and credit risk;
- the political, legal, regulatory, financial, tax and general economic impacts, and other impacts we cannot anticipate, related to the United Kingdom's withdrawal from the European Union (Brexit), which could have adverse consequences for our businesses, particularly our London-based international insurance operations;
- our ability to obtain additional capital for our operations on terms favorable to us;

- our compliance, or failure to comply, with covenants and other requirements under our revolving credit facility, senior debt and other indebtedness;
- our ability to maintain or raise third party capital for existing or new investment vehicles and risks related to our management of third party capital;
- the effectiveness of our procedures for compliance with existing and future guidelines, policies and legal and regulatory standards, rules, laws and regulations;
- the impact of economic and trade sanctions and embargo programs on our businesses, including instances in which the requirements and limitations applicable to the global operations of U.S. companies and their affiliates are more restrictive than, or conflict with, those applicable to non-U.S. companies and their affiliates;
- regulatory changes, or challenges by regulators, regarding the use of certain issuing carrier or fronting arrangements;
- our dependence on a limited number of brokers for a large portion of our revenues and third-party capital;
- adverse changes in our assigned financial strength or debt ratings or outlook could adversely impact us, including our ability to attract and retain business, the amount of capital our insurance subsidiaries must hold and the availability and cost of capital;
- changes in the amount of statutory capital our insurance subsidiaries are required to hold, which can vary significantly and is based on many factors, some of which are outside our control;
- losses from litigation and regulatory investigations and actions; and
- a number of additional factors may adversely affect our Markel Ventures operations, and the markets they serve, and negatively impact their revenues and profitability, including, among others: adverse weather conditions, plant disease and other contaminants; changes in government support for education, healthcare and infrastructure projects; changes in capital spending levels; changes in the housing and commercial construction markets; liability for environmental matters; volatility in the market prices for their products; and volatility in commodity prices and interest and foreign currency exchange rates.

Our premium volume, underwriting and investment results and results from our other operations have been and will continue to be potentially materially affected by these factors. In addition, with respect to previously reported developments at MCIM and the decision to place both the Markel CATCo Funds and Markel CATCo Re into run-off:

- the inquiries by the U.S. Department of Justice, U.S. Securities and Exchange Commission and Bermuda Monetary Authority into loss reserves recorded in late 2017 and early 2018 at Markel CATCo Re (the Markel CATCo Inquiries) may result in adverse findings, reputational damage, the imposition of sanctions, increased costs, litigation and other negative consequences; and
- management time and resources may be diverted to address the Markel CATCo Inquiries, as well as related litigation.

By making forward-looking statements, we do not intend to become obligated to publicly update or revise any such 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 1. Legal Proceedings

Markel CATCo Inquiries

We previously reported that the U.S. Department of Justice, U.S. Securities and Exchange Commission and Bermuda Monetary Authority (together, the Governmental Authorities) are conducting inquiries into loss reserves recorded in late 2017 and early 2018 at our Markel CATCo operations. Those reserves are held at Markel CATCo Re, an unconsolidated subsidiary of MCIM. The Markel CATCo Inquiries are limited to MCIM and its subsidiaries (together, Markel CATCo) and do not involve other Markel subsidiaries.

We retained outside counsel to conduct an internal review of Markel CATCo's loss reserving in late 2017 and early 2018. The internal review was completed in April 2019 and found no evidence that Markel CATCo personnel acted in bad faith in exercising business judgment in the setting of reserves and making related disclosures during late 2017 and early 2018. Our outside counsel has met with the Governmental Authorities and reported the findings from the internal review. At this time, we are unable to predict the duration, scope or result of the Markel CATCo Inquiries.

Belisle Arbitration

On February 21, 2019, Anthony Belisle filed a lawsuit, *Anthony Belisle v. Markel CATCo Investment Management Ltd and Markel Corp.* (U.S. District Court for the District of New Hampshire), which suit was amended on March 29, 2019. As amended, the complaint alleged claims for, among other things, breach of contract, defamation, invasion of privacy, indemnification, intentional interference with contractual relations and deceptive and unfair acts and sought relief of, among other things, \$66 million in incentive compensation, enhanced compensatory damages, consequential damages, damages for emotional distress and injury to reputation, exemplary damages and attorneys' fees. In June 2019, MCIM, Markel Corporation, and Mr. Belisle agreed to commence binding arbitration to finally, fully and confidentially resolve the claims and counterclaims alleged in the action, and the Belisle suit was dismissed with prejudice in July 2019. The arbitrators have been selected, the arbitration proceeding has commenced, and the arbitration hearing has been scheduled to begin in August 2020. In late July, the parties commenced settlement discussions and reached an agreement in principal on a mutually acceptable settlement amount. We expect that a settlement agreement will be entered into and the settlement amount will be recorded and reflected in our net income in the third quarter of 2020. The settlement amount is not material to our consolidated results of operations or financial condition.

Thomas Yeransian v. Markel Corporation

In October 2010, we completed the acquisition of Aspen Holdings, Inc. (Aspen). As part of the consideration for that acquisition, Aspen shareholders received contingent value rights (CVRs). Based on a valuation of the CVRs as of their December 31, 2017 maturity date, we paid \$9.9 million to the CVR holders on June 5, 2018, which represents 90% of the undisputed portion of the final amount we believe we are required to pay under the CVR agreement.

Prior to the December 31, 2017 CVR maturity date, the CVR holder representative, Thomas Yeransian, had disputed our prior estimation of the value of the CVRs. On September 15, 2016, Mr. Yeransian filed a suit, *Thomas Yeransian v. Markel Corporation* (U.S. District Court for the District of Delaware), alleging, among other things, that we are in default under the CVR agreement. The suit seeks: \$47.3 million in damages, which represents the unadjusted value of the CVRs; plus interest (\$18.3 million through June 30, 2020) and default interest (up to an additional \$15.2 million through June 30, 2020, depending on the date any default occurred); and an unspecified amount of punitive damages, costs, and attorneys' fees.

At the initial hearing held February 21, 2017, the court stayed the proceedings and ordered the parties to discuss resolving the dispute pursuant to the independent CVR valuation procedure under the CVR agreement. The parties met on April 5, 2017, but were unsuccessful in reaching agreement on a process for resolving the dispute. We subsequently filed a motion to stay the litigation and compel arbitration, and, on July 31, 2017, the court issued an order granting that motion.

On September 20, 2018, a new judge was assigned to the case. On October 12, 2018, the court denied both Mr. Yeransian's motion to reconsider the order staying the litigation and compelling arbitration and our motion for sanctions against Mr. Yeransian for violating the confidentiality of mediation proceedings. The court subsequently (1) on December 3, 2018 ordered Mr. Yeransian to provide the court and us with the identity of an actuarial firm to participate in the selection of independent experts for the CVR valuation process under the CVR agreement and (2) on December 11, 2018 denied Mr. Yeransian's motion for judgment that we had waived our right to require Mr. Yeransian's participation in the CVR valuation process. On July 8, 2019, the Court granted our motion for instructions as to how the independent experts are to conduct the CVR valuation process and denied Mr. Yeransian's motion to have a hearing officer appointed to oversee the valuation process. The independent experts, who were jointly selected by the parties, have been engaged and are conducting the valuation process.

On November 13, 2018, Mr. Yeransian filed a second suit, Thomas Yeransian v. Markel Corporation (U.S. District Court for the District of Delaware), which also alleges that the Company is in default under the CVR agreement. The second suit seeks the same monetary damages and relief as the original suit. We filed a motion to stay this suit until the arbitration for the original suit has concluded and the CVR holders have received the remainder of the final amount due under the CVR Agreement. The court granted that motion on August 6, 2019.

On June 5, 2020, Yeransian filed a third suit, Thomas Yeransian v. Markel Corporation (U.S. District Court for the District of Delaware). Similar to the first and second suits, the third suit alleges that the Company is in default under the CVR agreement and, in addition, has interfered with the current, on-going arbitration for the CVR valuation. The third suit seeks the same monetary damages and relief as the original suit and the second suit, as well as other declaratory and non-monetary judgments and orders. We filed a motion to stay this suit.

We believe Mr. Yeransian's suits to be without merit. We further believe that any material loss resulting from the suits to be remote. We do not believe the contractual contingent consideration payments related to the CVRs, as ultimately determined by the independent experts in the valuation process, will have a material impact on the Company's liquidity.

Item 1A. Risk Factors

Other than the risk factor discussed below, or as discussed elsewhere in this report, including under note 15 (Commitments and Contingencies) of the notes to consolidated financial statements or under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including "Recent Developments Related to COVID-19" and "Brexite Developments," or under "Legal Proceedings" in this report, there have been no material changes with regard to the risk factors previously disclosed in our 2019 Annual Report on Form 10-K.

The COVID-19 pandemic has had, and may continue to have, material adverse effects on us. The effects of the COVID-19 pandemic, and U.S. and international responses, are wide-ranging, costly, disruptive and rapidly changing. The COVID-19 pandemic has had, and may continue to have, material adverse effects on our underwriting, investment, Markel Ventures and other operations, and on our results of operations and financial condition. Factors that give rise, or may give rise, to those effects include, or may include, the following, as well as others that we cannot predict:

- Executive, legislative or regulatory mandates or judicial decisions that require retroactive coverage of business interruption claims stemming from the COVID-19 pandemic or to expand the scope of other types of insurance or reinsurance coverages, for example, workers' compensation insurance;
- Regulatory actions:
 - prohibiting or postponing the cancellation or non-renewal of insurance policies in accordance with policy terms or requiring renewals on current terms and conditions;
 - requiring the coverage of losses irrespective of policy terms or exclusions;
 - relaxing policyholder reporting requirements for claims, which may affect coverage under our claims made and claims made and reported policies;
 - requiring or encouraging premium refunds;
 - granting extended grace periods for premium payments; and
 - extending due dates to pay past due premiums;
- Rapidly and dramatically changing business conditions and compliance obligations, including as a result of federal and state executive orders and regulatory guidance;

- Disruptions, delays and increased costs and risks related to working remotely, having limited or no access to our facilities and reductions, workplace re-entry, employee safety concerns or interruptions of critical or essential services. Those effects may include, among others:
 - an inability, or a decreased ability, to provide our insurance and non-insurance products and services, provide customer service, pay third parties in a timely manner or perform other necessary business functions; and
 - exposure to additional and increased risks related to internal controls, data security and information privacy, both for the Company and for our suppliers, vendors and other third-parties with whom we do business;
- Illnesses suffered by key employees, or a significant percentage of our workforce or the workforce of our agents, brokers, suppliers or outsourcing providers, which could prevent or delay the performance of critical business functions;
- Illnesses suffered by employees who have continued to work, or who have or will return to work, in our facilities may expose us to increased risk of employment related claims and litigation;
- Lawsuits and other legal actions challenging the promptness of coverage determinations or the coverage determinations themselves on claims under applicable insurance or reinsurance policies, including, among others, business interruption claims, resulting in increased claims, litigation and related expenses;
- Delays in the reporting of non-COVID-19 claims, and the settlement of those claims, due to a variety of factors, including "stay-at-home" and similar orders instituted by many governmental authorities, potentially increasing the severity of those claims and reducing the predictability of the underlying statistical data used in establishing reserves, particularly for longer-tailed lines of business;
- Reduced demand for our insurance and non-insurance products and services due to reduced global economic activity, which could adversely impact our revenues and cash flows;
- Adverse impacts on our revenues and cash flows due to:
 - premium refunds or delayed receipt of premium payments;
 - delayed payment of reinsurance recoverables; and
 - expedited claims payments in response to regulatory requirements;
- Adverse effects on future cash flows or earnings of one or more of our underwriting, Market Ventures or other acquired businesses, which could result in an impairment of goodwill or intangible assets and, in turn, a charge to net income;
- Increased needs for capital at our regulated insurance and reinsurance subsidiaries and non-insurance subsidiaries and the constraints that may be placed on our liquidity and other uses of holding company capital;
- Insured or reinsured losses from COVID-19-related claims could be greater than our reserves for those losses;
- Volatility and declines in global financial markets, defaults on fixed maturity securities (including corporate bonds, mortgage-backed securities and securities issued by municipalities, foreign governments and non-sovereign foreign institutions), and declines in interest rates and dividend payments, which have reduced, and could continue to reduce, future investment results and the fair market value of our invested assets;
- Deterioration in global financial and economic conditions, which have had, or could have, a broad range of material adverse effects on our businesses, and on our results of operations and financial condition, including, among others:
 - increased reinsurance costs and the inability to obtain the desired kinds and amounts of reinsurance;
 - furloughs and lay-offs of employees;
 - downgrades, or changes in outlook, by rating agencies of the financial strength or debt ratings of the Company or our insurance or reinsurance company subsidiaries;
 - reduced ability to access capital;
 - inability of our key vendors and contract counterparties to perform or pay the obligations required of them on a timely basis, or at all; and
 - increased credit risk, including credit risk related to our fixed maturity investments and receivables from insureds, reinsurers and customers;
- Delayed or reduced management and incentive fees from our insurance-linked securities operations, due to the resolution of COVID-19 related claims, adverse impacts on our ability to maintain or raise third party capital for existing or new investment vehicles and increased risks related to our management of third party capital;

- A failure to satisfy financial covenants under our revolving credit agreement, which can be adversely affected by a significant decline in our consolidated net worth, including due to the impact of changes in fair value of our equity investments and, to a lesser extent, impairments in our fixed maturity investment portfolio, or impairment of our goodwill and intangible assets. While we currently have no debt outstanding under our revolving credit facility, a failure to satisfy the financial covenants under the revolving credit agreement, unless waived or amended, would result in our inability to borrow or secure letters of credit under that facility;
- Increases in the number of consumer complaints challenging coverage or claims decisions under applicable insurance policies;
- Increases in the number of potential fraudulent claims made under insurance policies due to the economic hardships experienced by companies and individuals as a result of the COVID-19 pandemic; and
- Increases in local, state and federal taxes to pay for costs incurred by governmental expenditures associated with the COVID-19 pandemic.

One or more of these factors resulting from the COVID-19 pandemic, and others the Company cannot anticipate, could have material adverse effects on the Company's results of operations and financial condition; and the extent of these effects will depend, at least in part, on the scope, severity, duration and subsequent recurrences of the pandemic. In addition, the Company may take steps to mitigate potential risks or liabilities that may arise from the COVID-19 pandemic and related developments and some of those steps may have a material adverse effect on the Company's results of operations and financial condition. Even if an unfavorable outcome does not materialize, these factors, and actions the Company may take in response, may have a material adverse impact on the Company's reputation and result in substantial expense and disruption.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations," including "Recent Developments Related to COVID-19," and the notes to consolidated financial statements in this report for additional discussion of effects COVID-19 has had, and could have, on our businesses, results of operations and financial condition.

In addition, it is important to note and emphasize, the COVID-19 pandemic also may have the effect of triggering or intensifying many of the risks described under "Risk Factors" in our 2019 Annual Report on Form 10-K, including without limitation, the risks discussed under the following headings:

- We may experience losses or disruptions from catastrophes;
- The failure of any of the methods we employ to manage our loss exposures could have a material adverse effect on us;
- The effects of emerging claim and coverage issues on our business are uncertain;
- We use analytical models to assist our decision making in key areas such as pricing, reserving and capital modeling and actual results may differ materially from the model outputs and related analyses;
- Our results may be affected because actual insured or reinsured losses differ from our loss reserves;
- Changes in the assumptions and estimates used in establishing reserves for our life and annuity reinsurance book could result in material increases in our estimated loss reserves for such business;
- We may be unable to purchase reinsurance protection on terms acceptable to us, or we may be unable to collect on reinsurance we purchase;
- Our efforts to develop new products, expand in targeted markets or improve business processes and workflows may not be successful and may increase or create new risks;
- Our insurance companies and senior debt are rated by various rating agencies, and a downgrade or potential downgrade in one or more of these ratings could have a material adverse effect on us;
- The amount of capital that our insurance subsidiaries have and must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors, some of which are outside of our control;
- Our insurance subsidiaries are subject to supervision and regulation that may have a material adverse effect on our operations and financial condition;
- Our investment results may be impacted by changes in interest rates, U.S. and international monetary and fiscal policies as well as broader economic conditions;
- We invest a significant portion of our shareholders' equity in equity securities, which may result in significant variability in our investment results and net income and may have a material adverse effect on shareholders' equity. Additionally, our equity investment portfolio is concentrated, and declines in the value of these significant investments could have a material adverse effect on our financial results;
- We may require additional capital in the future, which may not be available or may only be available on unfavorable terms;

- Our failure to comply with covenants and other requirements under our revolving credit facility, senior debt and other indebtedness could have a material adverse effect on us;
- Our liquidity and our ability to make payments on debt or other obligations depend on the receipt of funds from our subsidiaries;
- The legal and regulatory requirements applicable to our businesses are extensive. Failure to comply could have a material adverse effect on us;
- Losses from legal and regulatory actions may have a material adverse effect on us;
- Employee error and misconduct may be difficult to detect and prevent and may result in significant losses;
- We manage our global operations through a network of business entities, which could result in inconsistent management, governance and oversight practices;
- We have substantial international operations and investments, which expose us to increased political, operational and economic risks;
- General economic, market or industry conditions could lead to investment losses, adverse effects on our businesses and limit our access to the capital markets;
- We may not find suitable acquisition candidates or new ventures;
- The integration of acquired companies may not be as successful as we anticipate;
- Impairment in the value of our goodwill or other intangible assets could have a material adverse effect on our operating results and financial condition;
- The loss of one or more key executives or an inability to attract and retain qualified personnel could have a material adverse effect on us;
- Information technology systems that we use could fail or suffer a security breach, which could have a material adverse effect on us or result in the loss of regulated or sensitive information; and
- Outsourced providers may perform poorly, breach their obligations to us or expose us to enhanced risks.

For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement contained in this report, see "Safe Harbor and Cautionary Statement."

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Document Description</u>
3.1(a)	Amended and Restated Articles of Incorporation (incorporated by reference from Exhibit 3.1 in the Registrant's report on Form 8-K filed with the Commission May 13, 2011)
3.1(b)	Articles of Amendment to the Amended and Restated Articles of Incorporation (incorporated by reference from Exhibit 3.1 in the Registrant's report on Form 8-K filed with the Commission May 27, 2020)
3.2	Bylaws, as amended and restated May 11, 2020**
4.1(a)	Indenture dated as of June 5, 2001, between Markel Corporation and The Chase Manhattan Bank, as Trustee (incorporated by reference from Exhibit 4.1 in the Registrant's report on Form 8-K filed with the Commission June 5, 2001)
4.1(b)	Form of Third Supplemental Indenture dated as of August 13, 2004 between Markel Corporation and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.2 in the Registrant's report on Form 8-K filed with the Commission August 11, 2004)
4.1(c)	Form of Seventh Supplemental Indenture dated as of July 2, 2012 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.2 in the Registrant's report on Form 8-K filed with the Commission June 29, 2012)
4.1(d)	Form of Eighth Supplemental Indenture dated as of March 8, 2013 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.2 in the Registrant's report on Form 8-K filed with the Commission March 7, 2013)
4.1(e)	Form of Ninth Supplemental Indenture dated as of March 8, 2013 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.3 in the Registrant's report on Form 8-K filed with the Commission March 7, 2013)
4.1(f)	Form of Tenth Supplemental Indenture dated as of April 5, 2016 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.2 in the Registrant's report on Form 8-K filed with the Commission March 31, 2016)
4.1(g)	Eleventh Supplemental Indenture dated as of November 2, 2017 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.2 in the Registrant's report on Form 8-K filed with the Commission November 2, 2017)
4.1(h)	Twelfth Supplemental Indenture dated as of November 2, 2017 between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.3 in the Registrant's report on Form 8-K filed with the Commission November 2, 2017)
4.1(i)	Thirteenth Supplemental Indenture, dated as of May 20, 2019, between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.2 in the Registrant's report on Form 8-K filed with the Commission May 20, 2019)
4.1(j)	Fourteenth Supplemental Indenture, dated as of September 17, 2019, between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.2 in the Registrant's report on Form 8-K filed with the Commission September 17, 2019)
4.1(k)	Fifteenth Supplemental Indenture, dated as of September 17, 2019, between Markel Corporation and The Bank of New York Mellon (as successor to The Chase Manhattan Bank), as Trustee, including form of the securities as Exhibit A (incorporated by reference from Exhibit 4.3 in the Registrant's report on Form 8-K filed with the Commission September 17, 2019)

The registrant hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of all other instruments defining the rights of holders of long-term debt of the registrant and its subsidiaries.

10.1	Markel Corporation 2020 Employee Stock Purchase Plan (incorporated by reference from Exhibit 10.1 in the Registrant's report on Form 8-K filed with the Commission May 15, 2020)*
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10.2	Form of Restricted Stock Award Agreement for Outside Directors for the 2016 Equity Incentive Compensation Plan* **
31.1	Certification of Co-Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)**
31.2	Certification of Co-Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)**
31.3	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)**
32.1	Certification furnished Pursuant to 18 U.S.C. Section 1350**
101	The following consolidated financial statements from Markel Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed on July 28, 2020, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss), (iii) Consolidated Statements of Changes in Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements.**
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Indicates management contract or compensatory plan or arrangement

** Filed with this report.

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 28th day of July 2020.

Markel Corporation

By: /s/ Thomas S. Gayner

Thomas S. Gayner

Co-Chief Executive Officer

(Co-Principal Executive Officer)

By: /s/ Richard R. Whitt, III

Richard R. Whitt, III

Co-Chief Executive Officer

(Co-Principal Executive Officer)

By: /s/ Jeremy A. Noble

Jeremy A. Noble

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

MARKEL CORPORATION

BYLAWS

(as amended and restated May 11, 2020)

ARTICLE I.

MEETINGS OF SHAREHOLDERS

Section 1. Place and Time of Meetings. Meetings of shareholders shall be held at such place, either within or without the Commonwealth of Virginia, or by means of remote communication, in each case as the Board of Directors may in its discretion determine, and at such time as may be provided in the notice of the meeting and approved by the Chairman of the Board, any Chief Executive Officer or the Board of Directors.

Section 2. Annual Meeting. The annual meeting of shareholders shall be held on the date designated by the Board of Directors and specified in the notice of the meeting.

Section 3. Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board, any Chief Executive Officer or the Board of Directors. Only business within the purpose or purposes described in the notice for a special meeting of shareholders may be conducted at the meeting.

Section 4. Fixing Record Date. The Board of Directors may fix in advance a record date to make a determination of shareholders entitled to notice or to vote at any meeting of shareholders, to receive any dividend, or for any other purpose, such date to be not more than 70 days before the meeting or action requiring a determination of shareholders. If no such date is set with respect to any meeting of shareholders, the day before the effective date of the notice of the meeting shall be the record date for such determination of shareholders. When a determination of shareholders entitled to notice of or to vote at any meeting of shareholders (regardless of who may have called the meeting) has been made, such determination shall be effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

Section 5. Notice of Meetings. Written notice stating the place (or means of remote communication, if authorized by the Board of Directors), day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by the Corporation not less than ten nor more than 60 days before the date of the meeting (except as a different time is specified by law) to each shareholder of record entitled to vote at such meeting. Notice may be given in any manner permitted by applicable law, including by electronic transmission. If mailed, such notice shall be deemed to be given when deposited in the United States mail with postage thereon prepaid, addressed to the shareholder at his, her or its address as it appears on the share transfer books of the Corporation. If an annual or special meeting is adjourned to a different date, time or place (or means of remote communication, if authorized by the Board of Directors), notice need not be given if the new date, time or place (or means of remote communication, if authorized by the Board of Directors) is announced at the meeting before adjournment; however, if a new record date for an adjourned meeting is fixed, notice of the adjourned meeting shall be given to persons who are shareholders as of the new record date unless a court provides otherwise. Notwithstanding the foregoing, no notice of a shareholders' meeting need be given to a shareholder if (i) an annual report and proxy statements for two consecutive annual meetings of shareholders or (ii) all, and at least two, checks in payment of dividends or interest on securities during a 12-month period, have been sent by first-class United States mail, with postage thereon prepaid, addressed to the shareholder at his, her or its address as it appears on the share transfer books of the Corporation, and returned undeliverable. The obligation of the Corporation to give notice of shareholders' meetings to any such shareholder shall be reinstated once the Corporation has received a new address for such shareholder for entry on its share transfer books.

Section 6. Waiver of Notice; Attendance at Meeting. A shareholder may waive any notice required by law, the Articles of Incorporation or these Bylaws before or after the date and time of the meeting that is the subject of such notice. The waiver shall be in writing, be signed by the shareholder entitled to the notice, and be delivered to the Secretary of the Corporation for filing with the minutes or corporate records. A shareholder's attendance at a meeting (i) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 7. Quorum and Voting Requirements. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless otherwise required by law or the Articles of Incorporation, a majority of the votes entitled to be cast on a matter by a voting group constitutes a quorum of that voting group for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is set for that adjourned meeting. If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes is required by law, the Articles of Incorporation or the rules or regulations of any stock exchange applicable to the Corporation. An abstention or an election by a shareholder not to vote on the action because of the failure to receive voting instructions from the beneficial owner of the shares shall not be considered a vote cast. A meeting may be adjourned by the chairperson of the meeting or by the shareholders even if there is less than a quorum.

Unless required by law or determined by the chairperson of the meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the shareholder voting or by such shareholder's proxy. If authorized by the Board of Directors, a shareholder may vote by a ballot submitted by electronic transmission by the shareholder or the shareholder's proxy, provided that any such electronic transmission shall either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the shareholder or the shareholder's proxy.

Section 8. Proxies. A shareholder may vote his, her or its shares in person or by proxy. A shareholder or the shareholder's agent or attorney-in-fact may appoint a proxy to vote or otherwise act for such shareholder by signing an appointment form or by an electronic transmission meeting the requirements of the Virginia Stock Corporation Act. An appointment of a proxy is effective when received by the inspectors of election or the Secretary or other officer or agent authorized to tabulate votes and is valid for 11 months unless a longer period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form or the electronic transmission states that it is irrevocable and the appointment is coupled with an interest.

The death or incapacity of the shareholder appointing a proxy does not affect the right of the Corporation to accept the proxy's authority unless notice of the death or incapacity is received by the Secretary or other officer or agent authorized to tabulate votes before the proxy exercises his or her authority under the appointment. An irrevocable appointment is revoked when the interest with which it is coupled is extinguished. Subject to any legal limitations on the right of the Corporation to accept the vote or other action of a proxy and to any express limitation on the proxy's authority stated in the appointment form or electronic transmission, the Corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment. Any fiduciary who is entitled to vote any shares may vote such shares by proxy

Section 9. Participation in Meetings. To the extent authorized by the Board of Directors, shareholders may participate in meetings by means of remote communication. Subject to the applicable provisions of the Virginia Stock Corporation Act, a shareholder participating in a meeting by means of remote communication, as authorized by the Board of Directors, is deemed to be present in person at the meeting.

Section 10. Order of Business at Meetings of Shareholders

(a) Annual Meetings of Shareholders. At any annual meeting of shareholders, only such nominations of persons for election to the Board of Directors shall be made, and only such other business shall be conducted or considered, as shall have been properly brought before the meeting. For nominations to be properly made at an annual meeting, and proposals of other business to be properly brought before an annual meeting, nominations and proposals of other business must be (i) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly made at the annual meeting by or at the direction of the Board of Directors or (iii) otherwise properly requested to be brought before the annual meeting by a shareholder of the Corporation in accordance with these Bylaws. For nominations of persons for election to the Board of Directors or proposals of other business to be properly requested by a shareholder to be made at an annual meeting, a shareholder must (x) be a shareholder of record at the time the shareholder gives the notice of such nomination or proposal required by Article I, Section 11, at the time of giving of notice of such annual meeting by or at the direction of the Board of Directors and at the time of the annual meeting, (y) be entitled to vote at such annual meeting and (z) comply with the procedures set forth in these Bylaws as to such business or nomination. The immediately preceding sentence shall be the exclusive means for a shareholder to make nominations or other business proposals (other than (I) matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and included in the Corporation's notice of meeting and (II) nominations properly brought by an Eligible Shareholder pursuant to Article I, Section 12 and included in the Corporation's proxy statement) before an annual meeting of shareholders.

(b) Special Meetings of Shareholders. At any special meeting of shareholders, only such business shall be conducted or considered as shall have been properly brought before the meeting pursuant to the Corporation's notice of meeting. To be properly brought before a special meeting, proposals of business must be (i) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors or (ii) otherwise properly brought before the special meeting by or at the direction of the Board of Directors. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (A) by or at the direction of the Board of Directors or (B) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who (x) is a shareholder of record at the time the shareholder gives the notice of such nomination or proposal required by Article I, Section 11, at the time of giving of notice of such special meeting by or at the direction of the Board of Directors and at the time of the special meeting, (y) is entitled to vote at the meeting and (z) complies with the procedures set forth in these Bylaws as to such nomination. The immediately preceding sentence shall be the exclusive means for a shareholder to make nominations before a special meeting of the shareholders (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in the Corporation's notice of meeting).

(c) Chairperson of the Meeting. Meetings of the shareholders shall be presided over by the Chairman of the Board or, if the Chairman of the Board is not present, by a Vice Chairman of the Board, if elected, or if the Chairman of the Board and any Vice Chairman of the Board, if elected, are not present, by any Chief Executive Officer or, if no Chief Executive Officer is present, any President or, if no President is present, by a chairperson designated by the Board of Directors or, if the Board of Directors has not made such a designation, by a chairperson chosen by the shareholders at the meeting. The Secretary shall act as secretary of the meeting but, in his or her absence, the chairperson of the meeting may appoint any person to act as secretary of the meeting.

(d) Conduct of Meetings. The Board of Directors may adopt such rules, regulations, and procedures for the conduct of any meeting of shareholders that it deems appropriate. Except to the extent inconsistent with such rules, regulations, and procedures adopted by the Board of Directors, the chairperson of the meeting shall have the right and authority to prescribe such rules, regulations, and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, to adjourn or recess the meeting, dismiss business not properly presented, adopt rules, regulations and procedures to maintain order and safety, impose limitations on the time allotted to questions or comments on the affairs of the Corporation, restrict entry to such meeting after the time prescribed for the commencement thereof and open and close the voting polls. The Board of Directors may postpone or reschedule any meeting of shareholders.

Section 11. Advance Notice of Shareholder Business and Nominations.

(a) Annual Meetings of Shareholders. Without qualification or limitation, for any nominations or any other business to be properly brought before an annual meeting by a shareholder pursuant to Article I, Section 10(a), the shareholder must have given timely notice thereof in proper form (including, in the case of nominations, the completed and signed questionnaire, representation and agreement required by Article I, Section 13) and timely updates and supplements thereof in writing to the Secretary and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting, or the public announcement thereof, commence a new time period for the giving of a shareholder's notice as described above. Notwithstanding anything in the preceding two sentences to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased by the Board of Directors, and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Article I, Section 11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation. In addition, to be timely, a shareholder's notice shall further be updated and supplemented, if necessary, so that such notice shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof. If a shareholder who has given timely notice as required herein to make a nomination or bring other business before any such meeting intends to authorize another person to act for such shareholder as a proxy to present the proposal at such meeting, the shareholder shall give notice of such authorization in writing to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not less than three business days before the date of the meeting, including the name and contact information for such person.

(b) Special Meetings of Shareholders. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any shareholder entitled to make a nomination pursuant to Article I, Section 10(b) may nominate a person or persons (as the case may be) for election to such position(s) to be elected as specified in the Corporation's notice calling the meeting, provided that the shareholder gives timely notice thereof in proper form (including the completed and signed questionnaire, representation and agreement required by Article I, Section 13) and timely updates and supplements thereof in writing to the Secretary, by registered or certified United States mail. In order to be timely, a shareholder's notice shall be delivered to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall any adjournment or postponement of a special meeting, or the public announcement thereof, commence a new time period for the giving of a shareholder's notice as described above. In addition, to be timely, a shareholder's notice shall further be updated and supplemented, if necessary, so that such notice shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof. If a shareholder who has given timely notice as required herein to bring any business before any such meeting intends to authorize another person to act for such shareholder as a proxy to present the proposal at such meeting, the shareholder shall give notice of such authorization in writing to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not less than three business days before the date of the meeting, including the name and contact information for such person.

(c) Other Provisions.

(1) To be in proper form, a shareholder's notice (whether given pursuant to Article I, Section 11(a) or (b)) to the Secretary must include the following, as applicable:

(i) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made: (A) the name and address of such shareholder, as they appear on the Corporation's books, of such beneficial owner, if any, and of their respective affiliates or associates or others acting in concert therewith, (B) (I) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such shareholder, such beneficial owner, if any, and their respective affiliates or associates or others acting in concert therewith,

including the name and number of shares of the Corporation held by any broker, bank or other nominee on any such person's or entity's behalf, (II) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Corporation, through the delivery of cash or other property, or otherwise, and without regard to whether the shareholder of record, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation (any of the foregoing, a "Derivative Instrument") directly or indirectly owned beneficially by such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, (III) any proxy (other than a revocable proxy given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A and which is not also then reportable on Schedule 13D under the Exchange Act), contract, arrangements, understanding pursuant to which such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, has a right to vote any class or series of shares of the Corporation, (IV) any agreement, arrangement, understanding, or otherwise, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the Corporation (any of the foregoing, "Short Interests"), (V) any rights to distributions on the shares of the Corporation owned beneficially by such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, that are separated or separable from the underlying shares of the Corporation, (VI) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (VII) any performance-related fees (other than an asset-based fee) to which such shareholder, such beneficial owner, if any, or

any of their respective affiliates or associates or others acting in concert therewith, is entitled based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, (VIII) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation or any subsidiary of the Corporation held by such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, (IX) any direct or indirect interest of such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, in any contract with the Corporation or any subsidiary of the Corporation, and (X) any debt securities or other debt instruments of the Corporation or any of its subsidiaries held by such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, and (C) any other information relating to such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, that would be required to be disclosed in a proxy statement and form of proxy or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder;

(ii) if the notice relates to any business other than a nomination of a director or directors that the shareholder proposes to bring before the meeting, a shareholder's notice must, in addition to the matters set forth in paragraph (i) above, also set forth: (A) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest of such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, in such business, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (C) a description of all agreements, arrangements and understandings between such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, on the one hand, and any other person or persons (including their names), on the other hand, in connection with the proposal of such business by such shareholder;

(iii) as to each person, if any, whom the shareholder proposes to nominate for election or reelection to the Board of Directors, a shareholder's notice must, in addition to the matters set forth in paragraph (a) above, also set forth: (A) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (B) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such shareholder, such beneficial owner, if any, or any of their respective affiliates or associates or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the shareholder making the nomination and any beneficial owner on whose behalf the

nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the “registrant” for purposes of such rule and the nominee were a director or executive officer of such registrant; and

(iv) as to each person, if any, whom the shareholder proposes to nominate for election or reelection to the Board of Directors, a shareholder’s notice must, in addition to the matters set forth in paragraphs (i) and (iii) above, also include a completed and signed questionnaire, representation and agreement required by Article I, Section 13. The Corporation may require any proposed nominee to furnish within 15 days of such request such other information as may reasonably be requested by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation under applicable law, rule or regulation, that may be required to be provided concerning such nominee to any governmental or regulatory authority having authority to regulate or oversee the Corporation, its subsidiaries or their respective businesses, to serve as an independent director of the Corporation or that could be material to a reasonable shareholder’s understanding of the independence, or lack thereof, of such nominee.

(2) For purposes of these Bylaws, “public announcement” shall mean disclosure in a press release reported by a national news service, including the Dow Jones News Service and the Associated Press, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the provisions of these Bylaws, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in these Bylaws; provided, however, that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations and proposals made pursuant to Article I, Section 10. For the avoidance of doubt, the obligations to update and/or supplement a shareholder’s notice as set forth in this Article I, Section 11 shall not limit the Corporation’s rights with respect to any deficiencies in any notice provided by a shareholder, be deemed to cure any defects or limit the remedies (including without limitation under these Bylaws) available to the Corporation relating to any defect, extend any applicable deadlines hereunder or under any other provision of the Bylaws or enable or be deemed to permit a shareholder who has previously submitted notice pursuant to these Bylaws to amend, update or submit a new nomination or proposal, including by changing or adding nominees or proposals proposed to be brought before a meeting of the shareholders.

(4) The chairperson of any annual or special meeting of shareholders shall have the power and authority to determine whether a nomination or other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the Articles of Incorporation and these Bylaws and, if any proposed nomination or other business was not made or proposed, as the case may be, in compliance with the Articles of Incorporation or these Bylaws, may dismiss such proposed nomination or other business and declare that no action shall be taken on such nomination or other business and that such nomination or other business shall be disregarded.

(5) Nothing in these Bylaws shall be deemed to affect any rights (i) of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, (ii) of the holders of any series of preferred stock of the Corporation if and to the extent provided for under law or the Articles of Incorporation or (iii) of shareholders to act by unanimous written consent in accordance with the Articles of Incorporation and applicable law.

Section 12. Proxy Access for Board of Director Nominations.

(a) The Corporation shall include in its proxy statement for any annual meeting of shareholders the name, together with the Required Information (as defined below), of any person nominated for election to the Board of Directors (a "Shareholder Nominee") identified in a timely notice (the "Notice") that satisfies this Article I, Section 12 delivered to the principal executive offices of the Corporation, addressed to the Secretary, by one or more shareholders who at the time the request is delivered satisfy the ownership and other requirements of this Article I, Section 12 (such shareholder or shareholders, and any director, executive officer or general partner of such shareholder or any such affiliate or associate or person with which such shareholder is acting in concert of such shareholder or shareholders, the "Eligible Shareholder"), and who expressly elects to have its nominee included in the Corporation's proxy materials pursuant to this Article I, Section 12. To be timely for purposes of this Article I, Section 12, the Notice must be received by the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation not later than the close of business on the 120th day nor earlier than the close of business on the 150th day prior to the anniversary date of the immediately preceding mailing date for the notice of annual meeting of shareholders.

(b) For purposes of this Article I, Section 12, the "Required Information" that the Corporation will include in its proxy statement is (i) the information concerning the Shareholder Nominee and the Eligible Shareholder that, as determined by the Corporation, is required to be disclosed in a proxy statement filed pursuant to the proxy rules of the SEC, (ii) the Nominee Statement (as defined below) for each Shareholder Nominee to be included in the proxy statement of the Corporation, and (iii) if the Eligible Shareholder so elects, a Shareholder Statement (as defined below).

(c) The number of Shareholder Nominees (including any Shareholder Nominee elected to the Board of Directors at either of the two preceding annual meetings of shareholders who is being re-nominated by the Board of Directors to stand for reelection and any Shareholder Nominees submitted by an Eligible Shareholder for inclusion in the Corporation's proxy materials pursuant to this Article I, Section 12 but either are subsequently withdrawn or that the Board of Directors or any committee designated by the Board of Directors decides to nominate for election to the Board of Directors (a "Board Nominee")) appearing in the Corporation's proxy materials with respect to a meeting of shareholders shall not exceed the greater of (i) two and (ii) 20% of the number of directors in office as of the last day on which the Notice may be delivered, or if such amount is not a whole number, the closest whole number below 20%; provided, however, that the number of Shareholder Nominees appearing in the Corporation's proxy materials pursuant to this Article I, Section 12 may be reduced, in the sole discretion of the Board of Directors, by the number of director candidates for which the Secretary of the Corporation receives a notice that a shareholder has nominated a director candidate for election to the Board of Directors pursuant to the requirements of Article I, Section 10(a) and does not expressly elect at the time of providing the notice to have its nominee included in the Corporation's proxy materials pursuant to this Article I, Section 12. In the event that the number of Shareholder Nominees submitted by Eligible Shareholders pursuant to this Article I, Section 12 exceeds this maximum number, each Eligible Shareholder shall select one Shareholder Nominee for inclusion in the Corporation's proxy materials until the maximum number is reached, going in the order of the amount (largest to smallest) of shares of the Corporation's stock eligible to vote in the election of directors each Eligible Shareholder disclosed as owned in the Notice. If the maximum number is not reached after each Eligible Shareholder has selected one Shareholder Nominee, this selection process shall continue as many times as necessary, following the same order each time, until the maximum number is reached.

(d) An Eligible Shareholder must have owned (as defined below) 3% or more of the outstanding shares of the Corporation's stock eligible to vote in the election of directors continuously for at least three years (the "Required Shares") as of both the date the Notice is delivered to the Corporation and the record date for determining shareholders entitled to vote at the annual meeting of shareholders and must continue to own the Required Shares through the annual meeting of shareholders. For purposes of satisfying the foregoing ownership requirement under this Article I, Section 12, (i) the shares of stock of the Corporation owned by one or more shareholders, or by the person or persons who own shares of the Corporation's stock and on whose behalf any shareholder is acting, may be aggregated, provided that the number of shareholders and other persons whose ownership of shares is aggregated for such purpose shall not exceed 20, and further provided that the group of shareholders shall have provided to the Secretary of the Corporation as a part of providing the Notice a written agreement executed by each of its members designating one of the members as the exclusive member to interact with the Corporation for purposes of this Article I, Section 12 on behalf of all members, and (ii) two or more funds that are (A) under common management and investment control, (B) under common management and funded primarily by the same employer, or (C) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, shall be treated as one shareholder or beneficial owner. No effect will be given to the Eligible Shareholder's votes with respect to the election of directors if the Eligible Shareholder does not comply with each of the representations in Article I, Section 12(d)(4). Within the time period specified for providing the Notice, an Eligible Shareholder must provide the following information in writing to the Secretary of the Corporation (in addition to the information required to be provided by Article I, Section 11):

(1) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within seven calendar days prior to the date the Notice is delivered to or mailed and received by the Corporation, the Eligible Shareholder owns, and has owned continuously for the preceding three years, the Required Shares, and the Eligible Shareholder's agreement to provide, within five business days after the record date for the annual meeting of shareholders, written statements from the record holder and intermediaries verifying the Eligible Shareholder's continuous ownership of the Required Shares through the record date;

(2) the written consent of each Shareholder Nominee to be named in the proxy statement as a nominee and to serve as a director if elected;

(3) a copy of the Schedule 14N that has been filed with the SEC as required by Rule 14a-18 under the Exchange Act;

(4) a representation that the Eligible Shareholder:

(i) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control of the Corporation, and does not presently have such intent;

(ii) has not nominated and will not nominate for election to the Board of Directors at the annual meeting of shareholders any person other than the Shareholder Nominee(s) being nominated pursuant to this Article I, Section 12;

(iii) has not engaged and will not engage in, and has not and will not be, a “participant” in another person’s “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting of shareholders other than its Shareholder Nominee(s) or a Board Nominee;

(iv) will not distribute to any shareholder any form of proxy for the annual meeting of shareholders other than the form distributed by the Corporation;

(v) will continue to own the Required Shares through the annual meeting of shareholders; and

(vi) will provide facts, statements and other information in all communications with the Corporation and its shareholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(5) an undertaking that the Eligible Shareholder agrees to:

(i) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Shareholder’s communications with the Corporation’s shareholders or out of the information that the Eligible Shareholder provided to the Corporation;

(ii) indemnify and hold harmless the Corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Shareholder pursuant to this Article I, Section 12;

(iii) file with the SEC all soliciting and other materials as required under Article I, Section 12(i);
and

(iv) comply with all other applicable laws, rules, regulations and listing standards with respect to any solicitation in connection with the annual meeting of shareholders; and

(6) written disclosure of any transactions between the Eligible Shareholder and the Shareholder Nominee or the Board Nominee within the preceding five years.

(e) For purposes of this Article I, Section 12, an Eligible Shareholder shall be deemed to “own” only those outstanding shares of the Corporation’s stock as to which a shareholder who is the Eligible Shareholder or is included in the group that constitutes the Eligible Shareholder possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (A) sold by or on behalf of such shareholder in any transaction that has not been settled or closed, (B) borrowed by or on behalf of such shareholder for any purpose or purchased by such shareholder pursuant to an agreement to resell or (C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by or on behalf of such shareholder, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Corporation’s stock, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (x) reducing in any manner, to any extent or at any time in the future, such shareholder’s full right to vote or direct the voting of any such shares, and/or (y) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such shareholder. A shareholder shall “own” shares held in the name of a nominee or other intermediary so long as the shareholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A shareholder’s ownership of shares shall be deemed to continue during any period in which the shareholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the shareholder, provided, that (i) such person revokes such delegation within five business days of being notified that its Shareholder Nominee will be included in the Corporation’s proxy statement for the relevant annual meeting of shareholders and (ii) such person holds the revoked shares through the annual meeting of shareholders. Whether outstanding shares of the Corporation’s stock are “owned” for these purposes shall be determined by the Board of Directors, which determination shall be conclusive and binding on the Corporation and its shareholders, including the Eligible Shareholder.

(f) The Eligible Shareholder may provide to the Secretary of the Corporation, within the time period specified for providing the Notice, a written statement for inclusion in the Corporation’s proxy statement for the annual meeting of shareholders, not to exceed 500 words, in support of the Shareholder Nominee’s candidacy (the “Shareholder Statement”). Notwithstanding anything to the contrary contained in this Article I, Section 12, the Corporation may omit from its proxy materials any information or statement that it believes would violate any applicable law, rule, regulation or listing standard.

(g) The Corporation shall not be required to include, pursuant to this Article I, Section 12, a Shareholder Nominee in its proxy materials:

(1) if the Eligible Shareholder who has nominated such Shareholder Nominee has engaged in or is currently engaged in, or has been, or is a “participant” in another person’s, “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting of shareholders other than its Shareholder Nominee(s) or a Board Nominee;

(2) who is not independent under the listing standards of the principal exchange upon which the Corporation's stock is traded, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the Corporation's directors, as determined by the Board of Directors;

(3) whose election as a member of the Board of Directors would cause the Corporation to be in violation of these Bylaws, the Articles of Incorporation, the listing standards of the principal exchange upon which the Corporation's stock is traded, or any applicable state or federal law, rule or regulation;

(4) who is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914;

(5) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past 10 years;

(6) who is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended;

(7) if such Shareholder Nominee or the applicable Eligible Shareholder shall have provided information to the Corporation in respect of such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, as determined by the Board of Directors;

(8) if the Eligible Shareholder who has nominated such Shareholder Nominee has filed a Schedule 13D with respect to the Corporation within the past year; or

(9) if the Eligible Shareholder or applicable Shareholder Nominee otherwise breaches any of its or their obligations, agreements or representations under this Article I, Section 12.

(h) Notwithstanding anything to the contrary set forth herein, the chairperson of the annual meeting of shareholders shall declare a nomination by an Eligible Shareholder to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Corporation, if the Shareholder Nominee(s) and/or the applicable Eligible Shareholder shall have breached its or their obligations, agreements or representations under this Article I, Section 12, as determined by the Board of Directors or the chairperson of the annual meeting of shareholders.

(i) The Eligible Shareholder shall file with the SEC any solicitation communication with the Corporation's shareholders relating to the annual meeting of shareholders at which the Shareholder Nominee will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act, or whether any exemption

from filing is available for such solicitation communication under Regulation 14A of the Exchange Act.

(j) No person may be a member of more than one group of persons constituting an Eligible Shareholder under this Article I, Section 12.

(k) Any Shareholder Nominee who is included in the Corporation's proxy materials for a particular annual meeting of shareholders but either (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting of shareholders, or (ii) does not receive at least 20% of the votes cast in favor of the Shareholder Nominee's election, shall be ineligible to be a Shareholder Nominee pursuant to this Article I, Section 12 for the next two annual meetings of shareholders following the annual meeting of shareholders for which the Shareholder Nominee has been nominated for election.

(l) The Shareholder Nominee must provide to the Secretary of the Corporation, within the time period specified for providing the Notice, a written statement for inclusion in the Corporation's proxy statement for the annual meeting of shareholders (the "Nominee Statement"), disclosing whether or not such Shareholder Nominee is or will become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Shareholder Nominee or director. Such Nominee Statement must also include a representation that if such Shareholder Nominee is elected as a director of the Corporation, such Shareholder Nominee will not agree or accept any increase in the amount or scope, as applicable, of any such compensation, reimbursement or indemnification and that they would be in compliance with applicable law and the Corporation's corporate governance guidelines and other policies applicable to directors generally. At the request of the Corporation, the Shareholder Nominee must promptly, but in any event within five business days of such request, submit the written questionnaire described in Article I, Section 13. The Corporation may request such additional information (i) as may be reasonably necessary to permit the Board of Directors or any committee thereof to determine if a Shareholder Nominee is independent under the listing standards of the principal exchange upon which the Corporation's stock is traded, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the Corporation's directors and otherwise to determine the eligibility of each Shareholder Nominee to service as a director of the Corporation, or (ii) that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of each Shareholder Nominee. Notwithstanding anything to the contrary contained in this Article I, Section 12, the Corporation may omit from its proxy materials any information or statement that it believes would violate any applicable law, rule, regulation or listing standard.

Section 13. Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Article I, Section 11 or Section 12, as applicable) to the Secretary, by registered or certified United States mail, at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request), and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a “Voting Commitment”) that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere with such person’s ability to comply, if elected as a director of the Corporation, with such person’s fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein and (c) in such person’s individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable corporate governance, conflict of interest, confidentiality and publicly disclosed stock ownership and trading policies and guidelines of the Corporation.

ARTICLE II

DIRECTORS

Section 1. General Powers. The Corporation shall have a Board of Directors. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation managed under the direction of, and subject to the oversight of, its Board of Directors, subject to any limitation set forth in the Articles of Incorporation.

Section 2. Number. The number of directors of the Corporation shall be not less than three nor more than fifteen, the exact number of directors to be fixed, from time to time, by a resolution of the Board of Directors.

Section 3. Election and Term. Directors shall be elected at each annual meeting of shareholders. Despite the expiration of a director’s term, such director shall continue to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors. No individual shall be named or elected as a director without his or her prior consent.

Except with respect to vacancies on the Board of Directors, which shall be filled as provided in Article II, Section 4, each director shall be elected by a majority of votes cast of the voting group or groups entitled to elect such director at any meeting of shareholders for the election of directors at which a quorum is present; provided that, if the number of director nominees exceeds the number of directors to be elected by any voting group as of the 10th day preceding the date on which the Corporation first mails its notice of meeting for such meeting to the shareholders, the director(s) shall be elected by a plurality of the votes of the shares of such voting group represented at the meeting and entitled to vote on the election of directors.

If an incumbent director is nominated for election and not reelected, the director shall offer his or her resignation promptly to the Board of Directors. Within 60 days following certification of the shareholder vote, the Nominating/Corporate Governance Committee, or other committee responsible for nominating and governance matters, shall recommend to the Board of Directors the action to be taken with respect to such offer of resignation. Within 90 days following certification of the election results, the Board of Directors shall act on the offered resignation. In determining whether or not to accept the offered resignation, the Board of Directors shall consider any recommendation by the committee, the factors considered by the committee and any additional information and factors that the Board of Directors believes to be relevant. No director who submits his or her resignation under this Article II, Section 3 shall participate in the deliberations or decisions of the committee or the Board of Directors regarding such director's resignation.

If the submitted resignation is not accepted by the Board of Directors, the Board of Directors shall disclose its reasons for not accepting the resignation, and the director shall continue to serve until the next annual meeting of shareholders and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by the Board of Directors, or if a nominee for director is not elected by the shareholders, then the Board of Directors, in its sole discretion, may fill any resulting vacancy in accordance with Article II, Section 4.

Section 4. Removal; Vacancies. The shareholders may remove any director with or without cause at a meeting called for that purpose. Removal of a director shall be effective only if approved by a majority of the votes entitled to be cast at an election of directors of the voting group or groups by which such director was elected. A vacancy on the Board of Directors, including a vacancy resulting from the removal of a director, or an increase in the number of directors, may be filled only by (i) the shareholders, (ii) the Board of Directors, or (iii) the majority vote of the remaining directors though less than a quorum of the Board of Directors. In the case of the resignation of a director that will become effective at a specified later date, the vacancy may be filled before it occurs but the new director may not take office until the vacancy occurs.

Section 5. Organization.

(a) The Board of Directors shall elect one of its members to be the Chairman of the Board and may elect one or more of its members to be a Vice Chairman of the Board. The Chairman of the Board shall preside as chairperson at all meetings of the shareholders and of the Board of Directors and shall perform such duties, and shall have such authority, as may be conferred upon him or her by the Board of Directors or these Bylaws. A Vice Chairman of the Board, if elected, shall, in the absence of the Chairman of the Board, preside as chairperson at all meetings of the shareholders and of the Board of Directors and shall perform such duties, and shall have such authority, as may be conferred upon him or her by the Board of Directors or these Bylaws.

(b) The independent members of the Board of Directors shall designate a Lead Director, who shall not be an officer of or employed by the Corporation and otherwise shall be independent. The Lead Director shall exercise and perform such powers and duties as may be conferred upon him or her by the Board of Directors or these Bylaws. For purposes of this Article II, Section 5(b), “independent” shall have the meaning set forth in the rules or regulations of any stock exchange applicable to the Corporation.

Section 6. Annual and Regular Meetings. Unless otherwise determined by the Board of Directors, an annual meeting of the Board of Directors shall be held on the same day as the annual meeting of shareholders, for the purpose of electing officers and carrying on such other business as may properly come before such meeting. The Board of Directors may also adopt a schedule of additional meetings which shall be considered regular meetings. Regular meetings shall be held at such times and at such places, within or without the Commonwealth of Virginia, as the Chairman of the Board, any Chief Executive Officer or the Board of Directors shall designate from time to time. If no place is designated, regular meetings shall be held at the principal executive offices of the Corporation.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Lead Director, any Chief Executive Officer or the Board of Directors, and shall be held at such times and at such places, within or without the Commonwealth of Virginia, as the person or persons calling the meetings shall designate. If no such place is designated in the notice of a meeting, it shall be held at the principal executive offices of the Corporation.

Section 8. Notice of Meetings. No notice need be given of regular meetings of the Board of Directors. Notice of special meetings of the Board of Directors shall be given to each director not less than six hours before the meeting by any means permitted under the Virginia Stock Corporation Act, including electronic transmission. Any such notice shall include the date, time and place (or means of remote communication) of the meeting.

Section 9. Waiver of Notice. A director may waive any notice required by law, the Articles of Incorporation, or these Bylaws before or after the date and time stated in the notice and such waiver shall be equivalent to the giving of such notice. Except as provided in the next sentence of this Article II, Section 9, the waiver shall be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 10. Quorum; Voting. A majority of the number of directors prescribed in accordance with these Bylaws, or if no number has been prescribed, the number of directors in office immediately before the meeting begins, shall constitute a quorum for the transaction of business at a meeting of the Board of Directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (i) he or she objects at the beginning of the meeting, or promptly upon his or her arrival, to holding it or transacting specified business at the meeting, or (ii) he or she votes against, or abstains from, the action taken.

Section 11. Telephonic Meetings. The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 12. Action Without Meeting. Action required or permitted to be taken at a Board of Directors' meeting may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents stating the action taken, signed by each director either before or after the action taken, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Article II, Section 12 shall be effective when the last director signs the consent unless the consent specifies a different effective date and states the date of execution by each director, in which event it shall be effective according to the terms of the consent. A written consent and the signing thereof may be accomplished by one or more electronic transmissions.

Section 13. Compensation. Unless the Articles of Incorporation provide otherwise, the Board of Directors may fix the compensation of directors for their services as directors and may provide for the payment of all expenses incurred by directors in attending meetings of the Board of Directors.

ARTICLE III

COMMITTEES OF DIRECTORS

Section 1. Committees. The Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Each committee shall have two or more members who serve at the pleasure of the Board of Directors. The creation of a committee and appointment of members to it shall be approved by the number of directors required to take action under Article II, Section 10.

Section 2. Authority of Committees. To the extent specified by the Board of Directors, each committee may exercise the authority of the Board of Directors under Article II, Section 1 and applicable law, except that a committee may not (i) approve or recommend to shareholders action that is required by law to be approved by shareholders; (ii) fill vacancies on the Board of Directors or on any of its committees; (iii) amend the Articles of Incorporation; (iv) adopt, amend, or repeal these Bylaws; (v) approve a plan of merger not requiring shareholder approval; (vi) authorize or approve a distribution, except according to a formula or method, or within limits, prescribed by the Board of Directors; or (vii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except that the Board of Directors may authorize a committee, or a senior executive officer of the Corporation, to do so within limits, if any, prescribed by the Board of Directors.

Section 3. Committee Meetings; Miscellaneous. The provisions of Article II relating to meetings, notice and waiver of notice, quorum and voting, and consents shall apply to committees of directors and their members.

ARTICLE IV

OFFICERS

Section 1. Officers. The officers of the Corporation shall be one or more Chief Executive Officers, a Secretary, a Treasurer and a Controller, and in the discretion of the Board of Directors, one or more Presidents, one or more Vice Presidents and other officers and assistant officers as may be deemed necessary or advisable to carry on the business of the Corporation. In addition, the Board of Directors shall designate from among the officers of the Corporation a chief financial officer and a chief accounting officer (who may be the same person). Any two or more offices may be held by the same person.

Section 2. Election; Term. Officers shall be elected at the annual meeting of the Board of Directors and may be elected at such other time or times as the Board of Directors shall determine. They shall hold office, unless removed, until the next annual meeting of the Board of Directors or until their successors are elected. Any officer may resign at any time upon written notice to the Board of Directors, and such resignation is effective when notice is delivered unless the notice specifies a later effective date. The Board of Directors may delegate to any Chief Executive Officer authority to appoint one or more officers (excluding any Chief Executive Officer) and to prescribe the duties of any such officer, in each case as such Chief Executive Officer may deem necessary or advisable to carry on the business of the Corporation.

Section 3. Removal of Officers. Any officer or assistant officer may be removed at any time, with or without cause by (i) the Board of Directors or (ii) any Chief Executive Officer, except that a Chief Executive Officer may be removed only by the Board of Directors.

Section 4. Chief Executive Officer(s). The Chief Executive Officer(s) shall be the chief executive officer(s) of the Corporation and shall have general supervision over, responsibility for, and control of the other officers, agents and employees of the Corporation and shall perform such duties, and shall have such authority, as may be lawfully required of, or conferred upon, him or her by the Board of Directors.

Section 5. President. Each President shall perform such duties, and shall have such authority, as may lawfully be required of, or conferred upon, him or her by any Chief Executive Officer or the Board of Directors.

Section 6. Vice Presidents. Each Vice President (including any Executive Vice President or Senior Vice President) shall perform such duties, and shall have such authority, as may lawfully be required of, or conferred upon, him or her by any Chief Executive Officer, any President or the Board of Directors.

Section 7. Secretary. The Secretary shall, as secretary of the meetings, record all proceedings at shareholders' meetings and directors' meetings in a book or books kept for that purpose. In addition, the Secretary shall maintain or cause to be maintained the record of shareholders of the Corporation, giving the names and addresses of all shareholders and the numbers, classes and series of the shares held by each and the share transfer books.

Section 8. Treasurer. The Treasurer shall have the custody of all moneys and securities of the Corporation; he or she shall deposit the same in the name and to the credit of the Corporation in such depositories as may be designated by, or in accordance with action of, the Board of Directors and disburse the funds of the Corporation as may be required.

Section 9. Controller. The Controller shall cause to be kept full and accurate books and accounts of all assets, liabilities and transactions of the Corporation and prepare, or cause to be prepared, statements of the financial condition of the Corporation and proper profit and loss statements covering the operations of the Corporation and such other and additional financial statements, if any, as required by management of the Corporation or the Board of Directors.

Section 10. Delegation of Power. During the absence, disqualification or inability to act of any of the officers of the Corporation, the Board of Directors or any Chief Executive Officer may delegate the powers of such officer to any other officer or employee of the Corporation.

ARTICLE V

SHARE CERTIFICATES

Section 1. Form. Shares of the Corporation may, but need not, be represented by certificates. The Board of Directors may authorize the issue of some or all of the shares of the Corporation without certificates. Any such authorization will not affect shares already represented by certificates until they are surrendered to the Corporation. The rights and obligations of shareholders shall be identical whether or not their shares are represented by certificates. Subject to the provisions of Article V, Section 2, certificates shall be signed by any two officers of the Corporation, who may be the same individual. Certificates may (but need not) be sealed with the seal of the Corporation or a facsimile thereof.

Section 2. Signatures. The signatures of the officers upon a share certificate issued by the Corporation may be facsimiles. If any officer who has signed, or whose facsimile signature has been placed upon a share certificate, shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of its issue.

Section 3. Transfer. The Board of Directors shall have power and authority to make rules and regulations concerning the issue, registration and transfer of shares of the Corporation.

Section 4. Restrictions on Transfer. A restriction on the transfer or registration of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is lawful and its existence is noted conspicuously on the front or back of the certificate representing the shares or in an information statement with respect to the shares.

Section 5. Lost or Destroyed Share Certificates. The Corporation may issue a new share certificate in the place of any certificate theretofore issued by it which is alleged to have been lost or destroyed and may require the owner of such certificate, or his or her legal representative, to give the Corporation a bond, with or without surety, or such other agreement, undertaking or security as the Board of Directors shall determine is appropriate, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction or the issuance of any such new certificate.

ARTICLE VI

EXCLUSIVE FORUM

Unless the Corporation consents in writing to the selection of an alternative forum (an “Alternative Forum Consent”), the United States District Court for the Eastern District of Virginia, Alexandria Division, or, in the event that court lacks jurisdiction to hear such action, the Circuit Court of the County of Fairfax, Virginia, shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of duty owed by any current or former director, officer, employee, shareholder or agent of the Corporation to the Corporation or the Corporation’s shareholders, including a claim alleging the aiding and abetting of such a breach of duty, (iii) any action asserting a claim arising pursuant to any provision of the Virginia Stock Corporation Act, the Articles of Incorporation or these Bylaws (in each case, as may be amended from time to time), (iv) any action or proceeding to interpret, apply, enforce or determine the validity of the Articles of Incorporation or these Bylaws (in each case, as may be amended from time to time), including any right, obligation, or remedy thereunder, (v) any action or proceeding regarding indemnification or advancement or reimbursement of expenses arising out of the Articles of Incorporation, these Bylaws or otherwise, unless the Corporation and the party bringing such action or proceeding have entered into a written agreement providing for any other forum or dispute resolution process, in which case such action or proceeding shall be subject to such written agreement, (vi) any action asserting a claim governed by the internal affairs doctrine or (vii) any action asserting one or more “internal corporate claims,” as that term is defined in subsection C of Section 13.1-624 of the Virginia Stock Corporation Act, in all cases to the fullest extent permitted by law and subject to one of the courts having personal jurisdiction over the indispensable parties named as defendants.

Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article VI. If any action the subject matter of which is within the scope of this Article VI is filed in a court other than a court located within the Commonwealth of Virginia (a “Foreign Action”) by or in the name of any shareholder (including any beneficial owner), such shareholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the Commonwealth of Virginia in connection with any action brought in any such court to enforce the provisions of this Article VI and (ii) having service of process made upon such shareholder in any such action by service upon such shareholder’s counsel in the Foreign Action as agent for such shareholder. Failure to enforce the provisions of this Article VI would cause the Corporation irreparable harm and the Corporation shall be entitled to equitable relief, including injunctive relief and specific performance to enforce the provisions of this Article VI.

If any provision of this Article VI shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of Article VI (including, without limitation, each portion of any sentence of this Article VI containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities or circumstances shall not in any way be affected or impaired thereby. The existence of any prior Alternative Forum Consent shall not act as a waiver of the Corporation's ongoing consent right as set forth in this Article VI with respect to any current or future actions or proceedings. To the extent that the United States District Court for the Eastern District of Virginia, Alexandria Division, and the Circuit Court of the County of Fairfax, Virginia, do not have personal jurisdiction over the indispensable parties named as defendants, such parties must be given a reasonable opportunity to consent to such jurisdiction before any action or proceeding may be brought or maintained in any other court.

ARTICLE VII

SEVERABILITY

If any provision of these Bylaws shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of these Bylaws (including, without limitation, each portion of any sentence of these Bylaws containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities or circumstances shall not in any way be affected or impaired thereby.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 1. Corporate Seal. The corporate seal of the Corporation shall be circular and shall have inscribed thereon, within and around the circumference, "MARKEL CORPORATION". In the center shall be the word "SEAL".

Section 2. Fiscal Year. The fiscal year of the Corporation shall be determined in the discretion of the Board of Directors, but in the absence of any such determination it shall be the calendar year.

Section 3. Amendments. Except as otherwise provided by law, these Bylaws may be amended or repealed, and new Bylaws may be made at any regular or special meeting of the Board of Directors. Bylaws made by the Board of Directors may be repealed or changed and new Bylaws may be made by the shareholders, and the shareholders may prescribe that any Bylaw made by them shall not be altered, amended or repealed by the Board of Directors.

MARKEL CORPORATION
RESTRICTED STOCK AWARD AGREEMENT
FOR OUTSIDE DIRECTORS

To: NAME

MARKEL CORPORATION (the "Company") hereby grants you (the "Director") XXXX shares of Restricted Stock (the "Shares") under the Markel Corporation 2016 Equity Incentive Compensation Plan (the "Plan"). Shares that have not yet vested under Section 1 below, or as otherwise specifically provided herein, are forfeitable and nontransferable. The Company's Outside Directors will administer this Award Agreement, and any decision of the Outside Directors will be final and conclusive. Capitalized terms not defined herein have the meanings provided in the Plan.

The terms of your Award are:

1. Vesting of Shares. Except as otherwise provided in this Award Agreement, the Shares will become vested and nonforfeitable one year from the date hereof (the "Vesting Date"), provided that the Director remains a member of the Board of Directors until the earlier of the Vesting Date or the Company's next annual meeting of shareholders after the date hereof.
 2. Forfeiture of Shares. If the Director ceases to be a member of the Board of Directors other than by reason of death or Disability (as defined below) before the earlier of the Vesting Date or the Company's next annual meeting of shareholders, the Shares will be forfeited; provided, that the Outside Directors may determine in their sole discretion that forfeiture should not occur, in whole or in part, because the Director had an approved termination of his or her service as a member of the Board of Directors and may in such circumstances allow the Shares to vest, in whole or in part, on such terms as the Outside Directors deem appropriate. If the Director dies or incurs a Disability, the Shares will become fully vested and non-forfeitable on the date of the Director's death or Disability.
 3. Change of Control. Any unvested Shares will become fully vested and non-forfeitable if, after a Change in Control (as defined in the Plan) and before the Vesting Date, the Director ceases to be a member of the Board of Directors for any reason other than voluntary resignation.
 4. Transfer Restrictions. The Shares are not subject to sale, assignment, transfer, pledge, hypothecation or encumbrance.
 5. Binding Effect. Subject to the limitations stated above, this Award Agreement will be binding upon and inure to the benefit of the Director's legatees, distributees, and personal representatives and the successors of the Company.
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6. Interpretation. This Award Agreement will be construed under and be governed by the laws of the Commonwealth of Virginia. THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA OR THE CIRCUIT COURT FOR THE COUNTY OF HENRICO, VIRGINIA SHALL HAVE EXCLUSIVE JURISDICTION OVER ANY DISPUTES ARISING OUT OF OR RELATED TO THE PLAN OR THIS AWARD AGREEMENT.

IN WITNESS WHEREOF, the Company has caused this Restricted Stock Award Agreement to be signed, effective as of the award date shown below.

DATE

MARKEL CORPORATION

By: _____
Richard R. Whitt, III
Co-Chief Executive Officer

By: _____
Thomas S. Gayner
Co-Chief Executive Officer

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

I, Thomas S. Gayner, certify that:

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

July 28, 2020

/s/ Thomas S. Gayner

Thomas S. Gayner

Co-Chief Executive Officer

(Co-Principal Executive Officer)

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

I, Richard R. Whitt, III, certify that:

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

July 28, 2020

/s/ Richard R. Whitt, III

Richard R. Whitt, III

Co-Chief Executive Officer

(Co-Principal Executive Officer)

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

I, Jeremy A. Noble, certify that:

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

July 28, 2020

/s/ Jeremy A. Noble

Jeremy A. Noble

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION
FURNISHED PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Markel Corporation (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 28, 2020

/s/ Thomas S. Gayner

Thomas S. Gayner

Co-Chief Executive Officer

(Co-Principal Executive Officer)

/s/ Richard R. Whitt, III

Richard R. Whitt, III

Co-Chief Executive Officer

(Co-Principal Executive Officer)

/s/ Jeremy A. Noble

Jeremy A. Noble

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)