Best's Rating Report

MARKEL®

ALTERRA AMERICA INSURANCE COMPANY	A
MARKEL GLOBAL REINSURANCE COMPANY	A
ESSENTIA INSURANCE COMPANY	A
ESSEX INSURANCE COMPANY	A
EVANSTON INSURANCE COMPANY	A
FIRSTCOMP INSURANCE COMPANY	A
MARKEL AMERICAN INSURANCE COMPANY	A
MARKEL BERMUDA LIMITED	A
MARKEL INSURANCE COMPANY	A
MARKEL INTERNATIONAL INSURANCE COMPANY LIMITED	A

Financial Strength Rating
A.M. BEST
A Excellent

Best's Rating Report

Ultimate Parent: Markel Corporation

ALTERRA AMERICA INSURANCE COMPANY
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AMB#: 002061 | NAIC#: 21296
Ultimate Parent#: 058405 | FEIN#: 35-0293730

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of Markel Bermuda Limited (formerly Alterra Bermuda Limited) have been extended to Alterra America Insurance Company based on its role in the organization's operations. This position is further supported by common ownership, common management, implicit support and internal reinsurance.

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

In May of 2013, Alterra Capital Holdings Limited (Alterra) was acquired by Markel Corporation (Markel) and has since been undergoing the integration process into Markel. Both Alterra and Markel are specialty-focused underwriters.

The ratings of Markel Bermuda (formerly Alterra Bermuda) reflect its solid financial performance and strong risk-adjusted capitalization. Markel Bermuda's platforms and operations in major global underwriting markets also provide broad diversification as well as additional flexibility in optimizing its underwriting portfolio composition. Over the longer term, A.M. Best expects that being part of Markel will result in enhanced earnings prospects over time while leveraging existing business relationships. In addition, further operational efficiencies are anticipated.

Partially offsetting these positive rating attributes are the very competitive prevailing market conditions in the reinsurance market; the effects of the prolonged soft market in U.S. casualty classes, which represents a significant portion of Markel Bermuda's portfolio; and the challenging investment climate that places increased pressure on underwriting profitability.

The ratings of Markel Bermuda take into consideration the future benefits expected of the integration into the Markel organization. Some of the immediate benefits gained in terms of enhanced scale, the Markel brand, distribution platform and its leadership position in the surplus lines marketplace in the United States should further manifest themselves, gradually, in terms of the impact on the company's bottom line. While no rating enhancement is afforded to Markel Bermuda at this time, it remains possible that rating enhancement will be realized over the near term as Markel Bermuda's results reflect the impact of the aforementioned benefits. The ratings also consider no material changes to Markel Bermuda's business profile, capitalization, and performance as well as intercompany reinsurance.

Factors that could lead to a rating upgrade or a positive revision of the outlooks include continued favorable operating profitability coupled with maintenance of a strong risk-adjusted capital level, and/or additional explicit or implicit support from Markel that materially enhances the company's capital position. Alternatively, factors that could lead to a rating downgrade and/or revised outlooks to negative include unfavorable operating profitability trends, outsized catastrophe or investment losses relative to peers, significant adverse loss reserve development or a material decline in its risk-adjusted capital.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	06/20/12	A
03/21/14	A	08/05/11	A
08/09/13	A	09/07/10	A

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	52,150	5,215	-966	154	126,686	111,771
2011	94,606	9,461	-4,680	-3,031	153,406	115,883
2012	154,250	15,425	-5,085	-4,032	145,424	93,831
2013	226,353	21,296	-4,810	-4,816	222,418	150,257
2014	244,423	22,221	-1,496	-662	246,466	165,447

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2010	123.5	1.1	-22.4	...	0.0	0.2	849.3	13.6
2011	151.2	0.4	-70.3	...	0.1	0.4	408.8	90.2
2012	133.5	0.1	-39.3	...	0.2	0.7	281.9	183.8
2013	120.3	0.1	-25.6	...	0.1	0.6	308.2	79.5
2014	106.7	0.0	-6.8	0.4	0.1	0.6	304.2	263.1
5-Yr	122.9	0.2	-26.3	...	...	...	...	...

(*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Best's Rating Report

Markel Bermuda is the Bermuda-based operating unit of Alterra. Alterra was a publicly traded company on the NASDAQ exchange prior to being acquired by Markel on May 1, 2013. Alterra was formed as a result of the amalgamation between Max Capital Group Ltd. (Max) and Harbor Point Limited in May 2010. The holding company and all of the subsidiaries were rebranded with the Alterra name. The integration of Alterra's operations into Markel has been a focus since the acquisition and has essentially been completed. Through Alterra's operating subsidiaries, traditional reinsurance and insurance of both long-tailed and short-tailed liabilities are provided. Affiliated operating companies distribute products for the group in the U.S., Europe, Canada, Japan, Latin America, Australia and New Zealand.

Underwriting operations provide a diversified and balanced mix of short-tail and long-tail insurance and reinsurance capacity. Covered risks include the (re)insurance of general casualty, professional lines, workers' compensation, accident and health, medical malpractice, property, agriculture, aviation, credit/surety, and marine and energy.

The Reinsurance segment products are offered on both excess of loss and quota share basis, and are generally written on market terms where the company participates alongside other reinsurers. Whole account coverage is underwritten with a focus on casualty risk exposures.

The U.S. Insurance lines segment (via Alterra Excess & Surplus Insurance Company) provides access to the U.S. excess and surplus lines market with coverage in property, casualty, marine, umbrella and excess liability to the middle market. In June 2008, Alterra America Insurance Company was acquired. This company offers the same type of coverage but on an admitted basis.

In November 2008, Imagine Group (UK) Limited (Imagine Lloyd's), a Lloyd's insurance operation, was acquired by Max from Imagine Insurance Company Limited. It had been rebranded as Alterra at Lloyd's Limited to form the Lloyd's segment and through Lloyd's Syndicate 1400 offers a diverse portfolio of specialty risks, which includes accident and health, agriculture, aviation, international casualty, financial institutions, marine, professional indemnity, property, employers' and public liability, and surety. The Lloyd's syndicates complement underwriting operations in Bermuda, Ireland and the U.S.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (% Chg)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (% Chg)
2010	52,150	113.7	...	...	46,935	113.7
2011	94,606	81.4	...	...	85,146	81.4
2012	154,250	63.0	...	...	138,825	63.0
2013	226,353	46.7	3,782	...	208,839	50.4
2014	244,423	8.0	2,235	-40.9	224,437	7.5
5-Yr CAGR	...	58.5	...	...	...	59.2

Period Ending	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
2010	5,215	113.7	4,313	410.4
2011	9,461	81.4	6,660	54.4
2012	15,425	63.0	12,926	94.1
2013	21,296	38.1	18,796	45.4
2014	22,221	4.3	22,022	17.2
5-Yr CAGR	...	55.5	...	92.0

Territory: The company is licensed in the District of Columbia and all states.

2014 BY-LINE BUSINESS ($000)

Product Line	DPW ($000)	DPW (%)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (%)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (%)
Oth Liab CM	90,383	37.0	2,235	100.0	85,801	38.2
Inland Marine	54,164	22.2	...	...	48,747	21.7
Oth Liab Occur	51,031	20.9	...	...	45,928	20.5
Com'l MultiPeril	33,807	13.8	...	...	30,426	13.6
Ocean Marine	15,226	6.2	...	...	13,703	6.1
All Other	-188	-0.1	...	...	-169	-0.1
Total	244,423	100.0	2,235	100.0	224,437	100.0

Product Line	NPW ($000)	NPW (%)	Business Retention (%)
Oth Liab CM	6,817	30.7	7.4
Inland Marine	5,416	24.4	10.0
Oth Liab Occur	5,103	23.0	10.0
Com'l MultiPeril	3,381	15.2	10.0
Ocean Marine	1,523	6.9	10.0
All Other	-19	-0.1	100.0
Total	22,221	100.0	9.0

BY-LINE RESERVES ($000)

Product Line	2014	2013	2012	2011	2010
Oth Liab CM	8,675	4,378	1,321	202	...
Inland Marine	4,396	3,760	3,526	1,516	870
Oth Liab Occur	9,395	5,863	2,056	109	...
Com'l MultiPeril	3,998	3,254	314	...	...
Ocean Marine	3,381	1,938	2,932	1,663	279
All Other	367	1,253	2,922	978	562
Total	30,213	20,446	13,071	4,467	1,712

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2014	2013	2012	2011	2010
New York	42,907	42,304	29,566	15,119	5,858
Texas	30,227	31,686	23,081	13,952	7,044
Florida	20,384	19,811	14,819	14,196	10,396
California	16,239	14,330	8,701	4,434	3,324
Illinois	12,981	11,385	6,209	2,860	1,074
New Jersey	9,645	10,264	6,180	3,915	2,536
Louisiana	8,863	9,021	8,538	5,545	3,806
Hawaii	7,675	6,956	5,491	5,130	4,646
Ohio	7,203	6,472	4,032	2,124	1,081
Pennsylvania	6,581	5,655	2,878	1,770	768
All Other	81,717	68,469	44,755	25,561	11,617
Total	244,423	226,353	154,250	94,606	52,150

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Markel Corporation's Enterprise Risk Management (ERM) processes continue to evolve as refinements provide an integrated view of the company's risks and enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements is the establishment of a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Operating Results: The combined ratio has been relatively stable and profitable over the five-year period; however, overall operating performance has experienced some volatility. Results in 2014 represented an improvement over the prior year specifically in terms of the company's loss and combined ratios. The company's pretax income was also almost double what it generated in 2013 although on a net basis, a tax benefit in 2013 helped generate net income that surpassed what Markel Bermuda produced in 2014. Results in 2013 were materially impacted by the Markel acquisition and Markel's approach to reserve setting. Since the acquisition, Markel Bermuda has eliminated its hedge fund holdings and will gradually adopt an allocation that is in line with Markel's investment strategy. The current investment posture coupled with the financial market rebound in 2009, has aided in strengthening the balance sheet.

Since the amalgamation that formed Alterra in 2010, to the acquisition in 2013, operating performance has been relatively steady. In 2011, losses from global catastrophes were on the lower side relative to peers, which A.M. Best expected given its risk profile. However, it is also worth noting that the losses from the global catastrophes, including the Japanese and New Zealand earthquakes and flooding in Thailand were within its stated risk tolerance, which reflected the effectiveness of its catastrophe risk management. Net operating income for 2012 improved in comparison to 2011, primarily due to the significant decline in property catastrophe losses. Operating income for 2012 was, however, adversely impacted by the recording of a valuation allowance related to deferred tax asset of the US operating subsidiary and a decline in investment income due to lower investment yields on new investment purchases.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2010	-966	-451	154	3,284
2011	-4,680	-3,041	-3,031	-2,568
2012	-5,085	-4,155	-4,032	-23,772
2013	-4,810	-4,810	-4,816	-2,520
2014	-1,496	-677	-662	9,569
5-Yr Total	-17,036	-13,134	-12,386	-16,006

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2010	-22.4	5.0	107.6	11.8	9.2	87.5
2011	-70.3	-2.3	144.7	8.3	6.0	91.6
2012	-39.3	-22.7	132.3	9.2	8.3	90.0
2013	-25.6	-2.1	119.7	17.6	13.4	82.6
2014	-6.8	6.1	106.6	14.7	11.6	85.2
5-Yr Avg	-26.3	-2.8	120.7	12.4	9.8	87.3

UNDERWRITING EXPERIENCE

		Loss Ratios			Expense Ratios					
Period Ending	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio	Ind Comb. Ratio
2010	-1,651	49.4	3.4	52.8	-70.8	141.5	70.7	...	123.5	104.3
2011	-5,115	76.8	13.6	90.3	-76.4	137.3	60.9	...	151.2	107.1
2012	-5,235	91.3	6.0	97.3	-81.5	117.7	36.2	...	133.5	104.6
2013	-4,912	71.0	5.0	76.1	-74.3	118.5	44.2	...	120.3	98.0
2014	-1,521	78.4	3.5	81.9	-99.9	144.3	24.8	...	106.7	98.7
5-Yr Total/Avg	-18,434	76.7	5.5	82.2	-89.5	130.2	40.7	...	122.9	102.4

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BY-LINE LOSS RATIO

Product Line	2014	2013	2012	2011	2010	5-Yr Avg
Oth Liab CM	74.5	69.9	57.8	70.0	...	70.4
Inland Marine	57.0	65.1	89.8	61.2	52.6	66.1
Oth Liab Occur	74.2	73.7	72.7	70.7	...	73.7
Com'l MultiPeril	96.5	121.7	140.1	...	...	108.7
Ocean Marine	178.3	23.7	136.0	146.1	33.9	108.4
All Other	999.9	-18.1	107.3	62.9	53.4	64.4
Total	78.4	71.0	91.3	76.8	49.4	76.7

DIRECT LOSS RATIO BY STATE

	2014	2013	2012	2011	2010	5-Yr Avg
New York	44.4	127.5	139.6	51.2	22.4	89.1
Texas	72.8	71.2	48.4	55.2	47.3	63.9
Florida	33.5	75.1	40.5	62.9	38.1	50.5
California	75.1	33.3	125.7	80.4	54.8	70.9
Illinois	54.2	13.7	139.1	24.3	69.0	55.0
New Jersey	59.3	73.7	197.0	38.1	76.3	86.9
Louisiana	39.8	12.0	60.2	257.8	37.6	67.0
Hawaii	30.0	2.2	115.9	47.6	47.0	45.9
Ohio	170.7	39.4	50.0	54.3	24.1	92.9
Pennsylvania	52.6	22.2	108.7	63.1	53.6	53.7
All Other	100.4	54.3	81.6	84.6	71.3	80.7
Total	71.7	65.3	91.3	76.7	48.7	72.7

INVESTMENT GAINS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2010	685	606	3,130
2011	435	10	463
2012	150	123	-19,740
2013	102	-6	2,296
2014	25	15	10,231
5-Yr Total	1,398	748	-3,620

	Company				Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2010	10.2	1.1	2.0	6.8	0.7	4.4
2011	-36.5	0.4	0.4	2.4	-3.2	4.3
2012	-65.5	0.1	0.3	-19.2	-2.4	4.1
2013	-31.9	0.1	0.1	1.9	6.5	4.2
2014	-75.6	0.0	0.0	6.2	-10.2	3.7
5-Yr Avg	-29.9	0.2	0.4	0.1	-1.8	4.2

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Capitalization: Markel Bermuda's risk-adjusted capitalization remains supportive of its ratings and commensurate with its business profile per A.M. Best's risk-based capital model. Following the amalgamation of Max Capital Group Ltd. and Harbor Point Limited in 2010, shareholders' equity for the consolidated organization was roughly $3 billion. Although the acquired subsidiaries have been integrated into the operating and organizational structure of Markel, it is still possible that the capital within certain operating subsidiaries may be right sized to reflect their future business positions within the group. Capital contributions, including additional capital provided via distributions made by Markel International, have helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan and A.M. Best believes that same willingness remains if and when it would be deemed strategically beneficial.

Current BCAR: 384.8

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	-966	606	-515	3,130
2011	-4,680	10	-1,639	463
2012	-5,085	123	-929	-19,740
2013	-4,810	-6	...	2,296
2014	-1,496	15	-819	10,231
5-Yr Total	-17,036	748	-3,902	-3,620

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	95,176	-6,624	91,836	460.7
2011	...	6,680	4,112	3.7
2012	...	1,720	-22,052	-19.0
2013	60,000	-1,054	56,427	60.1
2014	5,000	621	15,190	10.1
5-Yr Total	160,176	1,343	145,513	52.7

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QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	115,176	-3,406
2011	...	...	115,176	706
2012	...	...	115,176	-21,345
2013	...	...	175,176	-24,919
2014	...	...	180,176	-14,729

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	111,771	...	111,771
2011	115,883	...	115,883
2012	93,831	...	93,831
2013	150,257	...	150,257
2014	165,447	...	165,447

LEVERAGE ANALYSIS

	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2010	0.0	0.0	0.2	0.2	0.7	1.4	2.7	3.5
2011	0.1	0.0	0.4	0.4	0.7	1.4	2.8	3.7
2012	0.2	0.1	0.7	0.7	0.7	1.4	2.8	3.6
2013	0.1	0.1	0.6	0.8	0.7	1.3	2.8	3.5
2014	0.1	0.2	0.6	0.9	0.7	1.3	2.7	3.5

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)
2010	...	10.0	...	...	77.9	...	...
2011	...	10.0	...	...	78.2	...	...
2012	...	10.0	...	...	79.9	...	...
2013	29,302	9.3	8.1	19.5	79.5	53.1	76.5
2014	48,372	9.0	14.5	29.2	77.8	50.7	74.4

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	66,704	201,088	94,464	...	362,256
US Insurers	47	15,277	8,601	...	23,925
Total (ex US Affils)	47	15,277	8,601	...	23,925
Grand Total	66,751	216,365	103,065	...	386,181

* Includes Commissions less Funds Withheld

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/14	Unpaid Res. to Develop. (%)
2009	538	344	-36.1	-1.0	40.7	4	1.2
2010	1,678	2,283	36.1	0.5	52.9	1,053	46.1
2011	4,400	3,822	-13.1	-0.5	57.4	1,976	51.7
2012	12,582	11,166	-11.3	-1.5	86.4	6,179	55.3
2013	19,687	19,494	-1.0	-0.1	103.7	15,265	78.3
2014	29,375	29,375	...	...	133.4	29,375	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Unpaid Reserves @12/14	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2009	538	344	-36.1	4	62.5	92.2
2010	1,480	2,279	54.0	1,049	77.4	148.1
2011	2,387	2,622	9.8	923	72.9	133.8
2012	10,309	8,924	-13.4	4,203	90.5	126.7
2013	11,440	12,324	7.7	9,086	81.6	125.7
2014	14,110	14,110	...	14,110	82.6	107.3

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Liquidity: Historically, the vast majority of fixed income securities have been held in highly liquid and highly rated investments. Investment in fixed income securities are generally used to fund insurance reserves and related claim payments. The company's quick and current liquidity measures remain solid.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2010	243.5	73.6	849.3	4.7	22.4	106.9	148.3	8.8
2011	67.8	29.3	408.8	16.3	21.1	105.8	146.6	10.0
2012	31.2	18.2	281.9	21.5	23.0	104.6	147.0	10.9
2013	32.3	18.7	308.2	23.0	24.6	107.4	148.2	10.6
2014	31.9	19.0	304.2	10.2	24.8	107.5	148.9	10.3

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2010	-5,769	-4,972	-7,575	-0.3	13.6	96.8	109.4
2011	-2,437	-1,363	-117	82.5	90.2	96.7	108.5
2012	6,976	8,810	3,852	166.4	183.8	99.8	113.4
2013	-8,177	-4,533	1,166	63.1	79.5	102.6	115.0
2014	23,833	24,130	3,146	261.1	263.1	104.2	115.4
5-Yr Total	14,425	22,072	472	…	…	…	…

Investments: The company's investment portfolio allocations have been held in highly liquid and highly rated investments, which A.M. Best views as relatively conservative.

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Markel Bermuda's investment portfolio allocation is similar to that of most Bermuda market companies, which A.M. Best views as relatively conservative. As part of the current integration with Markel, the investment strategy has changed somewhat with the focus on better optimization of the total asset portfolio of the larger organization. As such, the company's allocation to equity securities increased by more than four times from the end of 2013 to the end of 2014. The increase in the value of the equity portfolio was essentially equivalent to the decrease in the value of the fixed income portfolio.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2010	…	…	…	…	…	82.2	…	…
2011	…	…	…	…	…	86.8	…	…
2012	…	…	…	…	…	86.1	…	…
2013	…	…	…	…	…	95.2	…	…
2014	0.4	…	…	…	0.4	95.7	6.9	…

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg
	0-1	1-5	5-10	10-20	20+	Maturity
Government	69.0	20.3	…	…	…	1
Gov't Agencies & Muni	…	…	…	1.0	1.4	21
Industrial & Misc	1.6	6.3	…	…	0.3	3
Total	70.6	26.7	…	1.0	1.8	2

	2014	2013	2012	2011	2010
Bonds (000)	6,001	7,209	4,319	9,727	15,906
US Government	72.6	61.6	37.5	58.6	51.5
Foreign - All Other	…	1.5	1.2	…	…
State/Special Revenue - US	6.2	14.2	32.3	27.3	28.9
Industrial & Misc - US	21.2	22.7	29.0	14.2	19.6
Private Issues	…	…	…	0.0	…
Public Issues	100.0	100.0	100.0	100.0	100.0

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	95.2	99.9	100.0	100.0	100.0
Class 2	0.1	0.1	…	…	…
Class 3	0.7	…	…	…	…
Class 4	3.3	…	…	…	…
Class 5	0.7	…	…	…	…

INVESTMENTS - EQUITIES

	2014	2013	2012	2011	2010
Stocks (000)	158,321	143,087	80,791	100,531	91,920
Affiliated Common	100.0	100.0	100.0	100.0	100.0

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	9,380	6,234	5,068	1,216	1,333
Cash	…	43.7	60.2	8.2	…
Short-Term	100.0	56.3	39.8	91.8	100.0

HISTORY

This company was originally incorporated under the laws of Indiana to become successor to Motor Indemnity Association, a reciprocal exchange formed in 1919. Originally organized to write automobile physical damage insurance, the company's charter powers were subsequently broadened and, since 1961, have permitted the handling of all property and casualty lines. Effective February 10, 1986, the company name was changed from Emmco Insurance Company to Associates Insurance Company. The name was changed to Citicapital Insurance Company in September 2001 and on May 30, 2002, the company reverted back to the former title, Associates Insurance Company. The name was changed to Commercial Guaranty Casualty Insurance Company on September 1, 2004 and to Max America Insurance Company on July 9, 2008.

In May 2010, Max Capital Group Ltd. and Harbor Point Limited amalgamated to form Alterra Capital Holdings Limited. The amalgamated company was rebranded as Alterra Capital Holdings Limited and all operating subsidiaries were rebranded as well. Following the amalgamation, Max America Insurance Company was renamed Alterra America Insurance Company and redomesticated to Delaware.

On May 1, 2013, Markel Corporation, a publicly traded holding company that trades on the NYSE under ticker symbol "MKL" acquired Alterra Capital Holdings Limited and all of its subsidiaries including the company.

MANAGEMENT

Officers: President, F. Michael Crowley; Senior Vice President, Richard R. Whitt, III; Vice President and Secretary, Richard R. Grinnan ; Vice President, Treasurer and Chief Financial Officer, Anne G. Waleski; Vice Presidents, Deidre I. Balbuena, Nora N. Crouch, Robin Russo, Bryan W. Sanders; Controller, Robert G. Whitt III.

Directors: Gerard Albanese, Jr., F. Michael Crowley, Britton L. Glisson, Bradley J. Kiscaden, Richard R. Whitt, III.

REGULATORY

An examination of the financial condition was made as of December 31, 2010, by the insurance department of Delaware. The 2014 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS, MAAA.

REINSURANCE

The largest net amount insured on any single risk is $7.5 million.

The group provides reinsurance coverage to third party insurance and reinsurance companies and also purchases reinsurance protection for its insurance and reinsurance operations.

On an internal basis, Markel Bermuda provides reinsurance coverage to its operating affiliates in the U.S. and Europe through respective quota share agreements.

Markel arranges catastrophe coverage for all property Insurance units within Markel North America including Global Ocean Marine and Global Inland Marine divisions of Markel North America, resulting in higher limits and more cost effective coverage. At May 1, 2014, coverage for wind and earthquake was placed on a traditional basis. The traditional reinsurance coverage is placed 65% of the combined layer of $375 million excess of $100 million and 100% of the layer $225 million excess $375 million. Additionally, a 51% quota share was placed with a maximum $240 million occurrence limit.

The company's principal non-affiliated reinsurers are ULLICO Labor CAPTIVE, IC.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	'14%	'13%
Bonds	6,001	7,209	2.4	3.2
Cash & short-term invest	9,380	6,234	3.8	2.8
Investments in affiliates	158,321	143,087	64.2	64.3
Total invested assets	173,702	156,530	70.5	70.4
Premium balances	19,391	36,741	7.9	16.5
Accrued interest	25	31	0.0	0.0
All other assets	53,347	29,116	21.6	13.1
Total assets	246,466	222,418	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	'14%	'13%
Loss & LAE reserves	30,213	20,446	12.3	9.2
Unearned premiums	10,496	10,297	4.3	4.6
All other liabilities	40,310	41,419	16.4	18.6
Total liabilities	81,019	72,161	32.9	32.4
Capital & assigned surplus	180,176	175,176	73.1	78.8
Unassigned surplus	-14,729	-24,919	-6.0	-11.2
Total policyholders' surplus	165,447	150,257	67.1	67.6
Total liabilities & surplus	246,466	222,418	100.0	100.0

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	22,022	Premiums collected	38,622
Losses incurred	17,263	Benefit & loss-related pmts	9,105
LAE incurred	775		
Undrw expenses incurred	5,504	LAE & undrw expenses paid	5,685
Net underwriting income	-1,521	Undrw cash flow	23,833
Net investment income	25	Investment income	297
Pre-tax oper income	-1,496	Pre-tax cash operations	24,130
Realized capital gains	15		
Income taxes incurred	-819	Income taxes pd (recov)	...
Net income	-662	Net oper cash flow	24,130

Best's Rating Report

Ultimate Parent: Markel Corporation

MARKEL GLOBAL REINSURANCE COMPANY

Wilmington, DE
535 Springfield Avenue, Summit, NJ 07901
Mailing Address: Ten Parkway North, Deerfield, IL 60015
Web: www.markelcorp.com

Tel: 908-630-2700 | **Fax: 908-630-2701**
AMB#: 013819 | **NAIC#: 10829**
Ultimate Parent#: 058405 | **FEIN#: 06-1481194**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of Markel Bermuda Limited (formerly Alterra Bermuda Limited) have been extended to Markel Global Reinsurance Company (formerly Alterra Reinsurance USA, Inc.), based on its affiliation with Markel Bermuda Limited and its role in the organization. This position is further supported by common ownership, common management, implicit support and internal reinsurance.

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

In May of 2013, Alterra Capital Holdings Limited (Alterra) was acquired by Markel Corporation (Markel) and has since been undergoing the integration process into Markel. Both Alterra and Markel are specialty-focused underwriters.

The ratings of Markel Bermuda (formerly Alterra Bermuda) reflect its solid financial performance and strong risk-adjusted capitalization. Markel Bermuda's platforms and operations in major global underwriting markets also provide broad diversification as well as additional flexibility in optimizing its underwriting portfolio composition. Over the longer term, A.M. Best expects that being part of Markel will result in enhanced earnings prospects over time while leveraging existing business relationships. In addition, further operational efficiencies are anticipated.

Partially offsetting these positive rating attributes are the very competitive prevailing market conditions in the reinsurance market; the effects of the prolonged soft market in U.S. casualty classes, which represents a significant portion of Markel Bermuda's portfolio; and the challenging investment climate that places increased pressure on underwriting profitability.

The ratings of Markel Bermuda take into consideration the future benefits expected of the integration into the Markel organization. Some of the immediate benefits gained in terms of enhanced scale, the Markel brand, distribution platform and its leadership position in the surplus lines marketplace in the United States should further manifest themselves, gradually, in terms of the impact on the company's bottom line. While no rating enhancement is afforded to Markel Bermuda at this time, it remains possible that rating enhancement will be realized over the near term as Markel Bermuda's results reflect the impact of the aforementioned benefits. The ratings also consider no material changes to Markel Bermuda's business profile, capitalization, and performance as well as intercompany reinsurance.

Factors that could lead to a rating upgrade or a positive revision of the outlooks include continued favorable operating profitability coupled with maintenance of a strong risk-adjusted capital level, and/or additional explicit or implicit support from Markel that materially enhances the company's capital position. Alternatively, factors that could lead to a rating downgrade and/or revised outlooks to negative include unfavorable operating profitability trends, outsized catastrophe or investment losses relative to peers, significant adverse loss reserve development or a material decline in its risk-adjusted capital.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	06/20/12	A
03/21/14	A	08/05/11	A
08/09/13	A	09/07/10	A

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	...	171,060	2,649	-2,388	1,058,733	661,429
2011	...	205,645	11,700	3,823	1,177,667	676,477
2012	...	201,664	15,900	9,713	1,299,208	671,627
2013	...	186,933	26,475	19,569	1,364,745	714,952
2014	...	220,703	7,980	11,640	1,491,632	749,372

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2010	100.3	3.2	2.6	...	0.3	0.9	266.6	185.0
2011	102.0	2.8	6.7	...	0.3	1.0	235.0	191.6
2012	102.5	2.5	8.3	1.8	0.3	1.2	207.0	168.5
2013	97.9	2.1	14.0	14.8	0.3	1.2	210.0	153.6
2014	103.4	1.8	4.0	26.0	0.3	1.3	201.0	139.4
5-Yr	101.3	2.4	7.5	...	...	...	...	...

(*) Within several financial tables of this report, this company is compared against the Reinsurance Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Markel Bermuda is the Bermuda-based operating unit of Alterra. Alterra was a publicly traded company on the NASDAQ exchange prior to being acquired by Markel on May 1, 2013. Alterra was formed as a result of the amalgamation between Max Capital Group Ltd. (Max) and Harbor Point Limited in May 2010. The holding company and all of the subsidiaries were rebranded with the Alterra name. The integration of Alterra's operations into Markel has been a focus since the acquisition and has essentially been completed. Through Alterra's operating subsidiaries, traditional reinsurance and insurance of both long-tailed and short-tailed liabilities are provided. Affiliated operating companies distribute products for the group in the U.S., Europe, Canada, Japan, Latin America, Australia and New Zealand.

Underwriting operations provide a diversified and balanced mix of short-tail and long-tail insurance and reinsurance capacity. Covered risks include the (re)insurance of general casualty, professional lines, workers' compensation, accident and health, medical malpractice, property, agriculture, aviation, credit/surety, and marine and energy.

The Reinsurance segment products are offered on both excess of loss and quota share basis, and are generally written on market terms where the company participates alongside other reinsurers. Whole account coverage is underwritten with a focus on casualty risk exposures.

The U.S. Insurance lines segment (via Alterra Excess & Surplus Insurance Company) provides access to the U.S. excess and surplus lines market with coverage in property, casualty, marine, umbrella and excess liability to the middle market. In June 2008, Alterra America Insurance Company was acquired. This company offers the same type of coverage but on an admitted basis.

In November 2008, Imagine Group (UK) Limited (Imagine Lloyd's), a Lloyd's insurance operation, was acquired by Max from Imagine Insurance Company Limited. It had been rebranded as Alterra at Lloyd's Limited to form the Lloyd's segment and through Lloyd's Syndicate 1400 offers a diverse portfolio of specialty risks, which includes accident and health, agriculture, aviation, international casualty, financial institutions, marine, professional indemnity, property, employers' and public liability, and surety. The Lloyd's syndicates complement underwriting operations in Bermuda, Ireland and the U.S.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Ending	($000)	(% Chg)	($000)	(% Chg)	($000)	(% Chg)
2010	...	...	355,335	6.2	184,275	-31.2
2011	...	...	430,106	21.0	224,461	21.8
2012	...	...	425,133	-1.2	223,470	-0.4
2013	...	...	393,068	-7.5	206,135	-7.8
2014	...	...	468,641	19.2	247,937	20.3
5-Yr CAGR	...	...	...	7.0	...	-1.5

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2010	171,060	157.5	102,337	69.2
2011	205,645	20.2	174,951	71.0
2012	201,664	-1.9	191,121	9.2
2013	186,933	-7.3	188,556	-1.3
2014	220,703	18.1	201,584	6.9
5-Yr CAGR	...	27.1	...	27.2

Territory: The company is licensed in the District of Columbia, AK, AR, CA, CT, DE, FL, GA, HI, IL, IN, IA, KS, LA, ME, MD, MA, MI, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, VT, VA, WA, WV, WI and WY. Credit is allowed for reinsurance as a licensed reinsurer in AL, AZ, CO, ID, KY, MN and UT. Effective May 18, 2012, the company received a certificate of authority from the U.S. Department of the Treasury authorizing it to qualify as an acceptable reinsurer on obligations required by U.S. laws.

2014 BY-LINE BUSINESS ($000)

	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Product Line	($000)	(%)	($000)	(%)	($000)	(%)
Reins-Casualty	...	...	125,282	26.7	65,361	26.4
Oth Liab CM	...	...	83,834	17.9	43,530	17.6
Priv Pass Auto Liab	...	...	53,241	11.4	27,685	11.2
Oth Liab Occur	...	...	45,814	9.8	23,839	9.6
Credit	...	...	35,035	7.5	18,348	7.4
Auto Physical	...	...	29,762	6.4	15,476	6.2
Workers' Comp	...	...	22,422	4.8	11,659	4.7
Aircraft	...	...	20,556	4.4	11,989	4.8
Homeowners	...	...	15,636	3.3	8,925	3.6
Fire	...	...	15,834	3.4	9,770	3.9
All Other	...	...	21,224	4.5	11,352	4.6
Total	...	...	468,641	100.0	247,937	100.0

	NPW		Business Retention
Product Line	($000)	(%)	(%)
Reins-Casualty	59,921	27.1	47.8
Oth Liab CM	40,303	18.3	48.2
Priv Pass Auto Liab	25,556	11.6	48.0
Oth Liab Occur	21,975	10.0	49.2
Credit	16,687	7.6	47.6
Auto Physical	14,286	6.5	48.0
Workers' Comp	10,762	4.9	48.0
Aircraft	8,567	3.9	41.7
Homeowners	6,711	3.0	42.9
Fire	6,063	2.7	38.3
All Other	9,871	4.5	46.9
Total	220,703	100.0	47.3

BY-LINE RESERVES ($000)

Product Line	2014	2013	2012	2011	2010
Reins-Casualty	105,855	81,005	61,006	38,245	19,592
Oth Liab CM	129,911	114,965	93,125	63,895	36,374
Priv Pass Auto Liab	15,709	10,561	12,543	10,143	4,320
Oth Liab Occur	35,052	26,671	20,816	16,886	13,064
Credit	24,072	16,105	11,469	7,287	3,141
Auto Physical	8,628	5,973	6,861	5,667	2,582
Workers' Comp	4,400	1,461	503	808	61
Aircraft	12,701	8,596	7,914	4,895	1,799
Homeowners	4,180	3,978	5,706	3,303	917
Fire	15,839	18,613	21,964	16,549	6,208
All Other	16,965	25,461	31,021	21,319	18,692
Total	373,313	313,389	272,928	188,996	106,750

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Markel Corporation's Enterprise Risk Management (ERM) processes continue to evolve as refinements provide an integrated view of the company's risks and enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements is the establishment of a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Operating Results: The combined ratio has been relatively stable and profitable over the five-year period; however, overall operating performance has experienced some volatility. Results in 2014 represented an improvement over the prior year specifically in terms of the company's loss and combined ratios. The company's pretax income was also almost double what it generated in 2013 although on a net basis, a tax benefit in 2013 helped generate net income that surpassed what Markel Bermuda produced in 2014. Results in 2013 were materially impacted by the Markel acquisition and Markel's approach to reserve setting. Since the acquisition, Markel Bermuda has eliminated its hedge fund holdings and will gradually adopt an allocation that is in line with Markel's investment strategy. The current investment posture coupled with the financial market rebound in 2009, has aided in strengthening the balance sheet.

Since the amalgamation that formed Alterra in 2010, to the acquisition in 2013, operating performance has been relatively steady. In 2011, losses from global catastrophes were on the lower side relative to peers, which A.M. Best expected given its risk profile. However, it is also worth noting that the losses from the global catastrophes, including the Japanese and New Zealand earthquakes and flooding in Thailand were within its stated risk tolerance, which reflected the effectiveness of its catastrophe risk management. Net operating income for 2012 improved in comparison to 2011, primarily due to the significant decline in property catastrophe losses. Operating income for 2012 was, however, adversely impacted by the recording of a valuation allowance related to deferred tax asset of the US operating subsidiary and a decline in investment income due to lower investment yields on new investment purchases.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2010	2,649	-5,151	-2,388	-5,368
2011	11,700	2,858	3,823	7,015
2012	15,900	9,664	9,713	-13,266
2013	26,475	17,882	19,569	20,960
2014	7,980	6,601	11,640	24,841
5-Yr Total	64,704	31,854	42,358	34,182

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2010	2.6	-0.9	77.8	40.1	14.8	59.6
2011	6.7	1.0	88.2	31.2	5.3	69.4
2012	8.3	-2.0	90.1	39.0	14.6	58.1
2013	14.0	3.0	86.2	51.0	24.3	45.7
2014	4.0	3.4	93.0	35.1	9.3	53.1
5-Yr Avg	7.5	1.0	88.0	38.8	13.8	56.4

UNDERWRITING EXPERIENCE

		Loss Ratios			Expense Ratios					
Period Ending	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio	Ind Comb. Ratio
2010	-20,283	68.6	2.6	71.2	25.1	4.0	29.1	...	100.3	94.1
2011	-12,611	69.4	3.2	72.6	25.7	3.8	29.5	...	102.0	109.2
2012	-7,905	69.2	4.3	73.5	25.8	3.3	29.1	...	102.5	94.0
2013	4,432	60.3	7.6	68.0	26.3	3.7	29.9	...	97.9	83.9
2014	-12,904	65.7	5.7	71.4	17.6	14.4	32.0	...	103.4	90.2
5-Yr Total/Avg	-49,271	66.4	4.9	71.3	23.9	6.1	30.0	...	101.3	93.5

BY-LINE LOSS RATIO

Product Line	2014	2013	2012	2011	2010	5-Yr Avg
Reins-Casualty	72.8	65.0	67.2	73.5	73.8	70.0
Oth Liab CM	58.9	57.8	62.5	63.5	64.4	61.2
Priv Pass Auto Liab	78.6	73.2	69.3	72.1	65.4	72.7
Oth Liab Occur	66.2	70.9	62.7	60.8	91.9	67.7
Credit	60.8	53.3	54.7	56.5	70.4	58.1
Auto Physical	75.5	74.7	69.2	71.0	65.2	71.9
Workers' Comp	60.1	68.6	-87.9	70.9	64.0	61.9
Aircraft	114.2	59.5	69.1	77.7	75.5	80.3
Homeowners	56.6	45.4	67.7	62.1	51.8	58.5
Fire	21.9	32.6	85.8	91.7	48.2	59.2
All Other	32.3	54.0	91.8	67.7	79.4	71.5
Total	65.7	60.3	69.2	69.4	68.6	66.4

INVESTMENT GAINS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2010	22,988	2,763	-2,980
2011	24,232	965	3,192
2012	23,746	50	-22,979
2013	22,149	1,687	1,391
2014	20,889	5,039	13,201
5-Yr Total	114,005	10,504	-8,175

	Company				Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2010	1.4	3.2	3.6	3.2	-2.1	3.9
2011	5.4	2.8	2.9	3.3	22.2	4.4
2012	-2.0	2.5	2.5	0.1	-3.2	4.1
2013	-6.7	2.1	2.3	2.8	5.7	4.0
2014	-5.7	1.8	2.3	3.8	64.1	6.0
5-Yr Avg	-1.5	2.4	2.7	2.6	18.2	4.5

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Capitalization: Markel Bermuda's risk-adjusted capitalization remains supportive of its ratings and commensurate with its business profile per A.M. Best's risk-based capital model. Following the amalgamation of Max Capital Group Ltd. and Harbor Point Limited in 2010, shareholders' equity for the consolidated organization was roughly $3 billion. Although the acquired subsidiaries have been integrated into the operating and organizational structure of Markel, it is still possible that the capital within certain operating subsidiaries may be right sized to reflect their future business positions within the group. Capital contributions, including additional capital provided via distributions made by Markel International, have helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan and A.M. Best believes that same willingness remains if and when it would be deemed strategically beneficial.

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	2,649	2,763	7,800	-2,980
2011	11,700	965	8,843	3,192
2012	15,900	50	6,236	-22,979
2013	26,475	1,687	8,593	1,391
2014	7,980	5,039	1,379	13,201
5-Yr Total	64,704	10,504	32,850	-8,175

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	134,670	1,785	131,086	24.7
2011	4,664	3,368	15,048	2.3
2012	1,275	7,141	-4,850	-0.7
2013	21,274	1,090	43,325	6.5
2014	5,000	4,579	34,420	4.8
5-Yr Total	166,884	17,963	219,029	7.2

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	645,555	15,874
2011	...	...	650,220	26,257
2012	...	...	651,495	20,132
2013	...	...	672,769	42,182
2014	...	...	677,769	71,603

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	661,429	254	661,683
2011	676,477	...	676,477
2012	671,627	76	671,703
2013	714,952	66	715,018
2014	749,372	15	749,387

LEVERAGE ANALYSIS

Period Ending	Company NPW to PHS	Company Res. to PHS	Company Net Lev.	Company Gross Lev.	Industry Composite NPW to PHS	Industry Composite Res. to PHS	Industry Composite Net Lev.	Industry Composite Gross Lev.
2010	0.3	0.2	0.9	1.9	0.2	0.5	1.1	1.4
2011	0.3	0.3	1.0	2.2	0.2	0.5	1.2	1.5
2012	0.3	0.4	1.2	2.5	0.2	0.5	1.1	1.4
2013	0.3	0.4	1.2	2.4	0.2	0.4	1.0	1.2
2014	0.3	0.5	1.3	2.5	0.3	0.4	1.2	1.5

CEDED REINSURANCE ANALYSIS ($000)

Period Ending	Company Ceded Reins. Total	Company Bus. Ret. (%)	Company Reins. Recov. to PHS (%)	Company Ceded Reins. to PHS (%)	Industry Composite Bus. Ret. (%)	Industry Composite Reins. Recov. to PHS (%)	Industry Composite Ceded Reins. to PHS (%)
2010	670,871	47.7	73.6	101.4	84.8	25.4	33.7
2011	773,988	47.8	81.2	114.4	87.1	25.9	34.3
2012	847,433	47.4	92.9	126.2	87.2	22.7	30.8
2013	845,715	47.6	89.5	118.3	85.8	16.7	23.1
2014	926,920	47.3	90.6	123.7	94.1	16.0	22.6

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
Foreign Affiliates	132,478	348,980	193,774	...	675,232
US Insurers	74	280	1,978	...	2,332
Other Non-US	78	...	1,341	...	1,419
Total (ex US Affils)	132,630	349,260	197,093	...	678,983
Grand Total	132,630	349,260	197,093	...	678,983

* Includes Commissions less Funds Withheld

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/14	Unpaid Res. to Develop. (%)
2009	52,209	47,958	-8.1	-0.8	79.3	18,515	38.6
2010	106,753	92,461	-13.4	-2.2	90.4	36,441	39.4
2011	188,994	170,172	-10.0	-2.8	97.3	81,865	48.1
2012	272,928	248,610	-8.9	-3.6	130.1	144,908	58.3
2013	310,508	301,365	-2.9	-1.3	159.8	241,193	80.0
2014	369,950	369,950	...	...	183.5	369,950	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Unpaid Reserves @12/14	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2009	35,888	35,941	0.1	14,037	68.0	98.9
2010	63,248	53,520	-15.4	17,926	61.7	90.8
2011	109,242	99,457	-9.0	45,424	70.4	99.9
2012	125,260	117,334	-6.3	63,043	71.1	100.2
2013	111,121	117,436	5.7	96,285	74.8	104.7
2014	128,757	128,757	...	128,757	75.6	107.6

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Liquidity: Historically, the vast majority of fixed income securities have been held in highly liquid and highly rated investments. Investment in fixed income securities are generally used to fund insurance reserves and related claim payments. The company's quick and current liquidity measures remain solid.

LIQUIDITY ANALYSIS

Period Ending	Company Quick Liq. (%)	Company Current Liq. (%)	Company Overall Liq. (%)	Company Gross Agents Bal. to PHS (%)	Industry Composite Quick Liq. (%)	Industry Composite Current Liq. (%)	Industry Composite Overall Liq. (%)	Industry Composite Gross Agents Bal. to PHS (%)
2010	40.9	175.1	266.6	3.5	53.2	123.8	208.0	2.9
2011	55.2	159.6	235.0	3.5	60.3	119.9	205.5	3.6
2012	44.6	143.6	207.0	2.9	63.7	122.3	210.1	4.0
2013	56.2	145.0	210.0	3.9	71.6	127.1	224.1	2.9
2014	55.4	136.7	201.0	2.7	71.9	122.2	207.3	4.2

CASH FLOW ANALYSIS ($000)

Year	Company Underw Cash Flow	Company Oper Cash Flow	Company Net Cash Flow	Company Underw Cash Flow (%)	Company Oper Cash Flow (%)	Industry Composite Underw Cash Flow (%)	Industry Composite Oper Cash Flow (%)
2010	23,182	44,938	28,086	145.5	185.0	104.8	133.6
2011	82,408	101,471	6,056	179.1	191.6	109.0	143.0
2012	72,653	89,796	35,763	160.6	168.5	115.5	135.8
2013	57,043	79,997	53,607	139.4	153.6	108.9	141.6
2014	49,920	68,040	-7,586	130.6	139.4	146.6	147.7
5-Yr Total	285,206	384,242	115,925	...	...	...	...

Investments: The company's investment portfolio allocations have been held in highly liquid and highly rated investments, which A.M. Best views as relatively conservative.

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

Markel Bermuda's investment portfolio allocation is similar to that of most Bermuda market companies, which A.M. Best views as relatively conservative. As part of the current integration with Markel, the investment strategy has changed somewhat with the focus on better optimization of the total asset portfolio of the larger organization. As such, the company's allocation to equity securities increased by more than four times from the end of 2013 to the end of 2014. The increase in the value of the equity portfolio was essentially equivalent to the decrease in the value of the fixed income portfolio.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2010	…	…	…	…	…	18.3	…	…
2011	…	…	…	…	…	18.3	…	…
2012	1.8	…	…	…	1.8	15.1	2.0	…
2013	0.1	…	…	14.7	14.8	21.9	1.2	50.3
2014	2.9	…	…	23.2	26.0	22.8	1.5	50.1

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg
	0-1	1-5	5-10	10-20	20+	Maturity
Government	11.8	0.9	1.3	0.7	0.0	2
Gov't Agencies & Muni	7.4	5.5	20.9	9.4	5.7	9
Industrial & Misc	11.2	15.2	5.4	0.2	4.3	6
Total	30.5	21.6	27.6	10.2	10.1	7

	2014	2013	2012	2011	2010
Bonds (000)	685,005	673,386	791,592	726,125	627,596
US Government	3.6	5.9	8.0	16.0	12.1
Foreign Government	2.4	1.5	1.3	…	…
Foreign - All Other	9.7	11.8	10.8	9.6	11.1
State/Special Revenue - US	52.0	36.1	31.4	28.8	26.9
Industrial & Misc - US	32.3	44.8	48.5	45.6	49.9
Private Issues	5.3	8.3	9.2	5.2	5.6
Public Issues	94.7	91.7	90.8	94.8	94.4

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	90.9	93.5	91.6	91.1	87.6
Class 2	6.5	6.4	7.0	8.9	12.4
Class 3	0.6	0.0	0.4	…	…
Class 4	1.4	0.0	1.0	…	…
Class 5	0.6	…	…	…	…

INVESTMENTS - EQUITIES

	2014	2013	2012	2011	2010
Stocks (000)	344,633	261,920	101,114	124,086	120,894
Unaffiliated Common	50.4	40.2	…	…	…
Affiliated Common	49.6	59.8	100.0	100.0	100.0

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	149,681	158,522	103,992	67,947	61,944
Cash	30.6	47.2	28.6	74.0	95.7
Short-Term	69.4	52.0	71.1	26.0	4.1
All Other	…	0.8	0.3	0.1	0.2

HISTORY

On January 2, 2007, the company, formerly named Quadrant Indemnity Company was acquired as a shell from Executive Risk Indemnity, Inc., a subsidiary of The Chubb Corporation. At that time the company was renamed Harbor Point Reinsurance U.S., Inc. and the ultimate parent and holding company was Harbor Point Limited. In May 2010, Max Capital Group Ltd. and Harbor Point Limited amalgamated to form Alterra Capital Holdings Limited. All operating subsidiaries were rebranded with the Alterra identity including Harbor Point Reinsurance U.S., Inc. which was renamed Alterra Reinsurance USA Inc. in August 2010.

On May 1, 2013, Markel Corporation, a publicly traded holding company that trades on the NYSE under ticker symbol "MKL" acquired Alterra Capital Holdings Limited and all of its subsidiaries including the company.

On December 31, 2014 the company redomesticated from Connecticut to Delaware.

MANAGEMENT

Officers: Chairman of the Board; Gerard Albanese, Jr., President, Chief Underwriting Officer; Jed Rhoads, Senior Vice President; Richard R. Whitt III, Vice President, Chief Financial Officer; Anne G. Waleski, Vice President, Secretary; Richard R. Grinnan, Vice President; Nora N. Crouch, Vice President; Stephen E. Leitz, Treasurer; April L. Duff, Controller, Chief Accounting Officer; Robert G. Whitt III

Directors: Gerard Albanese, Jr., F. Michael Crowley, Britton L. Glisson, Bradley J. Kiscaden, Richard R. Whitt III.

REGULATORY

An examination of the financial condition was made as of December 31, 2011, by the insurance department of Connecticut. The 2014 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS, MAAA.

REINSURANCE

The largest net amount insured on any single risk is $12 million.

The company's principal non-affiliated reinsurers are: National Union Fire Insurance Company of Pittsburgh, PA and Tokio Marine & Nichidio Fire Insurance Co., Ltd.

The following text is derived from A.M. Best's Credit Report on Markel Bermuda Limited (AMB# 087119).

The group provides reinsurance coverage to third party insurance and reinsurance companies and also purchases reinsurance protection for its insurance and reinsurance operations.

On an internal basis, Markel Bermuda provides reinsurance coverage to its operating affiliates in the U.S. and Europe through respective quota share agreements.

Markel arranges catastrophe coverage for all property Insurance units within Markel North America including Global Ocean Marine and Global Inland Marine divisions of Markel North America, resulting in higher limits and more cost effective coverage. At May 1, 2014, coverage for wind and earthquake was placed on a traditional basis. The traditional reinsurance coverage is placed 65% of the combined layer of $375 million excess of $100 million and 100% of the layer $225 million excess $375 million. Additionally, a 51% quota share was placed with a maximum $240 million occurrence limit.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	'14%	'13%
Bonds	685,005	673,386	45.9	49.3
Common stock	173,742	105,299	11.6	7.7
Cash & short-term invest	149,681	157,267	10.0	11.5
Other non-affil inv asset	...	1,255	...	0.1
Investments in affiliates	170,891	156,621	11.5	11.5
Total invested assets	1,179,319	1,093,828	79.1	80.1
Premium balances	258,147	224,930	17.3	16.5
Accrued interest	6,285	5,038	0.4	0.4
All other assets	47,882	40,950	3.2	3.0
Total assets	1,491,632	1,364,745	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	'14%	'13%
Loss & LAE reserves	373,313	313,389	25.0	23.0
Unearned premiums	176,607	157,487	11.8	11.5
Conditional reserve funds	15	66	0.0	0.0
All other liabilities	192,326	178,851	12.9	13.1
Total liabilities	742,260	649,794	49.8	47.6
Capital & assigned surplus	677,769	672,769	45.4	49.3
Unassigned surplus	71,603	42,182	4.8	3.1
Total policyholders' surplus	749,372	714,952	50.2	52.4
Total liabilities & surplus	1,491,632	1,364,745	100.0	100.0

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	201,584	Premiums collected	213,157
		Benefit & loss-related pmts	76,738
Losses incurred	132,440		
LAE incurred	11,420		
Undrw expenses incurred	70,626	LAE & undrw expenses paid	86,500
Net underwriting income	-12,904	Undrw cash flow	49,920
Net investment income	20,889	Investment income	27,621
Other income/expense	-5	Other income/expense	-24
		Pre-tax cash operations	77,516
Pre-tax oper income	7,980		
Realized capital gains	5,039		
Income taxes incurred	1,379	Income taxes pd (recov)	9,477
Net income	11,640	Net oper cash flow	68,040

Ultimate Parent: Markel Corporation

ESSENTIA INSURANCE COMPANY

Clayton, MO
4521 Highwoods Parkway, Glen Allen, VA 23060
Mailing Address: Ten Parkway North, Deerfield, IL 60015
Web: www.markelcorp.com

Tel: 847-572-6000 Fax: 847-572-6389
AMB#: 014889 NAIC#: 37915
Ultimate Parent#: 058405 FEIN#: 04-2672903

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

The company's rating reflects its reinsurance agreement with Evanston Insurance Company (AMB# 003759) as a member of the Markel North America Insurance Group (AMB# 003191).

RATING RATIONALE

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Rating Rationale: The ratings reflect Markel North America Insurance Group's (Markel) well-established market position as one of the leading excess and surplus lines organizations in the United States, its historically profitable operating performance, solid risk-adjusted capitalization and ability to attract growth after many years of an extended soft market cycle. These positive attributes are partially offset by the group's elevated underwriting leverage, above average common stock leverage, high expense base and the challenges presented by low new money yields and the prevailing economic conditions.

Markel's specialty orientation and its commitment to profitability remain key attributes. As a writer of specialty admitted and excess and surplus lines insurance, Markel serves a variety of niche markets, specializing in unique hard-to-place risks that are driven by factors often extending beyond price. In addition, the group has established a history of producing excellent operating results over the past decade through adherence to underwriting fundamentals, and very conservative loss reserving practices, which have resulted in consistently favorable accident year loss reserve development. Markel's solid cash flow and equity appreciation via realized capital gains have also proven to be consistent contributors to its strong operating performance. Operating earnings over the long term have provided the financial wherewithal for the group to pay dividends, in spite of the restrictive effect of those payments on surplus appreciation. Traditionally strong operating cash flows have led to the group's adequate liquidity position that is enhanced by the considerable liquidity at the parent company.

The group has historically operated at a higher underwriting leverage position than the surplus lines composite average. Both net premium and liability leverage have exceeded that of the composite, driven by the conservative reserving philosophy and payment of stockholder dividends to maximize financial flexibility at the parent company. Somewhat concerning is Markel's above average common stock leverage, which has long been elevated relative to its composite peers and has continued to increase in recent years. This concern, however, is tempered by the considerable diversification among investments, the company's successful track record and management's long-held investment strategy to protect and build shareholder value. A.M. Best will continue to closely monitor underwriting and investment performance of the group's member companies, and of the group itself, to assure that capital strength remains supportive of the ratings.

Potential upward movement in the ratings could result from improved performance measures and operating conditions as well as sustained, if not improved, risk-adjusted capitalization. Downward movement could result from a material decline in capitalization, negative trends in claim frequency or severity that could materially impair underwriting results, a significant decline in equity capital markets and the possible resulting impact on the company's investment portfolio and capitalization, as well as an unforeseen increase in operating expenses.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	01/04/13	A
03/21/14	A		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	…	…	…	…	…	…
2011	…	…	…	…	…	…
2012	…	…	…	…	…	…
2013	194,736	…	14	9	73,809	26,030
2014	217,575	…	193	179	55,120	30,179

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2010	…	…	…	…	…	…	…	…
2011	…	…	…	…	…	…	…	…
2012	…	…	…	…	…	…	…	…
2013	…	…	…	…	…	1.8	154.5	-36.9
2014	…	0.5	…	…	…	0.8	221.0	-99.9

(*) Within several financial tables of this report, this company is compared against the Private Passenger Standard Automobile Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

Essentia Insurance Company underwrites insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency throughout the United States. Hagerty is a leading insurance provider for classic vehicles. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel is one of the leading writers of surplus lines and specialty admitted business in the United States ranking among the top ten writers of direct, non-admitted (surplus lines) business in the United States annually. The group markets and underwrites specialty insurance products and programs to a variety of niche markets within the surplus lines and specialty admitted segments.

Domestically, Markel is focused on two market divisions: the Excess and Surplus and the Specialty Admitted divisions. Excess and Surplus lines business is written through well-established programs including brokerage property and brokerage casualty; marine; products liability; inland marine; excess and umbrella; public entity; professional liability; miscellaneous errors and omissions coverage and environmental. This business is predominantly generated by wholesale producers. The group also has Specialty Admitted coverage for niches such as camps; day care centers; social services; health and fitness; medical transportation; senior living centers; museums; commercial marine; small business workers' compensation; specialty ranches and farms; and excess flood. Specialty Admitted products are predominantly sold by retail agencies. Selected personal lines coverage is substantially provided direct to policyholders. They include motorcycles, watercraft, yachts; equine mortality; and special events.

All Markel excess and surplus lines products are distributed through regional offices via wholesale producers. Each of the six regional offices, geographically located in the Northeast, Southeast, Midwest, Mid-South and West areas of the U.S., offer the full suite of Markel's wholesale products to their producers. The regional structure was designed to put underwriters closer to producers while aligning the company's resources to be deployed more efficiently throughout the country.

In terms of excess and surplus lines business, Markel's business has been produced primarily through 312 professional surplus lines general agents who have 823 offices nationwide. Approximately 129 have limited quoting and binding authority. This property and casualty business includes special property, railroad, inland marine and ocean marine.

The professional and products liability lines focus on long-tail surplus lines coverage written on a claims-made basis for highly specialized professions with business produced nationally through wholesale brokers. The products that are offered include professional liability for physicians and allied health care providers, professional liability for lawyers, architects and engineers, agents and brokers, electronic data professionals, management consultants, financial advisors, errors and omissions, directors and officers, employment practices liability, and products liability for new business products and technology.

Brokered excess and surplus lines business is comprised of primary casualty, property, excess and umbrella, environmental, transportation, special programs, and casualty facultative reinsurance. Markel produces this business through wholesale brokers and reinsurance brokers.

Markel's Specialty Admitted division is comprised primarily of admitted specialty commercial program package coverage, workers' compensation and specialty personal lines.

The Specialty commercial business focuses on multi-line insurance programs for businesses engaged in similar, but highly specialized activities. Most of the business is produced through approximately 9,800 retail agencies.

In 2010, Markel acquired Aspen Holdings, Inc. (now known as Markel Aspen, Inc.) an insurance group that provides workers' compensation insurance and related services, principally to small businesses. FirstComp Insurance Company (FirstComp), a wholly-owned insurance subsidiary of Markel Aspen, Inc., writes workers' compensation insurance for small, main street businesses in under-served rural markets. Markel Insurance Company began assuming risk and directly writing workers' compensation business beginning in 2010 and Deerfield Insurance Company began directly writing in 2011. Additionally, Evanston Insurance Company began assuming 50% of all direct writings on FirstComp, effective November 1, 2010. This business is produced through approximately 8,200 retail agency locations with varying levels of underwriting authority.

In 2012, Markel acquired Thompson Insurance Enterprises, LLC, (THOMCO), a privately held program administrator underwriting multi-line, industry-focused programs. THOMCO manages 20 national programs for companies in medical transportation, child care, fitness, senior living and other niches. THOMCO is part of the Specialty Admitted division.

The specialty personal lines products are distributed direct to the consumer primarily through limited specialty retailers with some lines through wholesale producers. The business focuses on products with high volume transactions and low average premiums. Coverage is provided for boats and yachts, fishing charters, boat and personal watercraft rental operations, motorcycles and all-terrain vehicles, higher valued bicycles, non-standard property, special events and short-term medical.

In January 2013, Markel acquired Essentia Insurance Company, which will continue to underwrite insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency throughout the United States. Hagerty is a leading insurance provider for classic vehicles. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles. Hagerty remains a privately-owned, family business.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (% Chg)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (% Chg)
2010	...	...	...	...	...	...
2011	...	...	...	...	...	...
2012	...	...	...	...	...	...
2013	194,736	...	...	...	194,736	...
2014	217,575	11.7	373	...	217,948	11.9

Period Ending	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
2010	...	...	...	...
2011	...	...	...	...
2012	...	...	...	...
2013	...	...	...	...
2014	...	...	...	...

Territory: The company is licensed in the District of Columbia and all states.

2014 BY-LINE BUSINESS ($000)

Product Line	DPW ($000)	DPW (%)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (%)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (%)
Auto Physical	117,642	54.1	215	57.7	117,857	54.1
Inland Marine	54,004	24.8	2	0.7	54,007	24.8
Priv Pass Auto Liab	41,932	19.3	155	41.7	42,087	19.3
All Other	3,997	1.8	...	...	3,997	1.8
Total	217,575	100.0	373	100.0	217,948	100.0

Product Line	NPW ($000)	NPW (%)	Business Retention (%)
Auto Physical	...	...	...
Inland Marine	...	...	...
Priv Pass Auto Liab	...	...	...
All Other	...	...	...
Total	...	...	...

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2014	2013	2012	2011	2010
California	24,923	21,202	...	...	...
New York	16,669	14,990	...	...	...
Michigan	16,438	15,257	...	...	...
Florida	13,634	12,360	...	...	...
Texas	11,893	10,184	...	...	...
Pennsylvania	8,692	8,102	...	...	...
Washington	8,050	7,460	...	...	...
Ohio	7,679	7,057	...	...	...
North Carolina	6,562	5,921	...	...	...
New Jersey	6,544	5,853	...	...	...
All Other	96,490	86,350	...	...	...
Total	217,575	194,736	...	...	...

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel's Enterprise Risk Management (ERM) processes continue to evolve as refinements are introduced to provide an integrated view of the company's risks and to enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements includes a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Operating Results: The group has generated considerable net income annually over the last five years. Operating earnings over this time frame have been driven by Markel's underwriting income combined with the solid performance of the group's high-quality investment portfolio that produces substantial and consistent net investment income. Both underwriting income and investment income have contributed to the group's annual pretax operating income. Up until 2011, very competitive market conditions on surplus lines and specialty business led directly to declining written and earned premium levels, and somewhat limited underwriting profitability. Markel has long maintained a sizable portfolio of securities that have long been highly rated and are integral to the group's buy-and-hold investment philosophy.

The group's historical production of underwriting income has largely been attributable to its niche underwriting expertise, proven risk management techniques and the rate and form flexibility afforded within the surplus lines market as well as the favorable development of reserves from prior accident years. Strong operating cash flows have helped build the group's invested asset base and continue to enhance net investment income. The group's five-year pretax return on revenue trails that of the surplus lines composite; however, Markel's total return on surplus for the period exceeds the composite average.

Absent significant reserve increases or extraordinary event-driven losses, A.M. Best expects the group to reap the benefits of its effective underwriting platform. The group is also expected to capitalize on the long-term relationships with its multi-dimensional distribution platform to help foster revenue and overall earnings prospects for Markel in 2015 and beyond.

PROFITABILITY ANALYSIS ($000)

Period Ending	Company: Pre-tax Operating Income	Company: After-tax Operating Income	Company: Net Income	Company: Total Return
2010	...	...	...	...
2011	...	...	...	...
2012	...	...	...	...
2013	14	9	9	9
2014	193	179	179	179

Period Ending	Company Pre-tax ROR (%)	Company Return on PHS (%)	Company Operating Ratio (%)	Industry Composite Pre-tax ROR (%)	Industry Composite Return on PHS (%)	Industry Composite Operating Ratio (%)
2010	...	...	...	...	...	...
2011	...	...	...	...	...	...
2012	...	...	...	...	...	...
2013	...	...	...	...	...	...
2014	...	0.6	...	...	9.7	...
5-Yr Avg	...	...	...	5.5	9.9	95.0

Underwriting Results: Markel has posted net underwriting profits in each of the last ten years, with the exception being 2012 (Superstorm Sandy). From a combined ratio perspective, Markel continues to post better than average underwriting results, as exemplified by its five and ten-year key underwriting measures which are on par with the averages of the highly profitable surplus lines composite. Given its specialty orientation, the group has employed underwriting and pricing strategies developed from a base of considerable knowledge within these select divisions that have proven effective over the long term. Highly favorable loss reserve development in recent accident years has also boosted calendar year underwriting results. The group's historical profitability has also been minimally impacted by reserve increases on outstanding asbestos and environmental (A&E) reserves. These reserve increases are largely indicative of management's conservative philosophy to establish reserves that prove to be more likely redundant than deficient. A majority of reserve increases are in the group's incurred but not reported (IBNR) reserves.

Recent initiatives have caused an increase in underwriting expenses, however systems improvements have helped mitigate some of those increased costs and are expected to continue generating expense efficiencies over the medium to long term. As mentioned previously, the underwriting loss posted in 2012, the single year in the last decade that produced an underwriting loss, was driven primarily by Superstorm Sandy as well as a lower take down of prior accident year reserves, which included some development on A&E reserves. Absent significant catastrophe activity or further A&E reserve strengthening, A.M. Best expects Markel to sustain its underwriting profitability via adherence to proven risk selection, underwriting and pricing strategies despite the challenges of a competitive surplus lines and specialty admitted market.

DIRECT LOSS RATIO BY STATE

	2014	2013	2012	2011	2010	5-Yr Avg
California	53.5	44.0	...	...	...	50.4
New York	50.7	44.9	...	...	...	48.8
Michigan	59.7	55.6	...	...	...	58.4
Florida	42.3	40.0	...	...	...	41.6
Texas	39.3	35.5	...	...	...	38.1
Pennsylvania	35.5	37.8	...	...	...	36.3
Washington	36.2	37.1	...	...	...	36.5
Ohio	29.6	30.2	...	...	...	29.8
North Carolina	48.7	29.0	...	...	...	42.3
New Jersey	46.7	28.0	...	...	...	40.6
All Other	41.5	33.9	...	...	...	39.0
Total	44.4	37.8	...	...	...	42.3

Investment Results: Markel continues to employ an investment philosophy emphasizing total return over the long term, in conjunction with a focus on the preservation of capital. Ensuring consistent application of developed strategies, the group's invested assets are managed internally by a group of investment professionals whose track record for investment income generation has been very good over the long-term. While the group's five-year net investment yield slightly trails the average posted by the surplus lines composite, its total return on invested assets outpaces the composite average, driven by realized investment gains. Results have improved since 2008 due to improved capital market conditions, and planned changes de-emphasizing corporate bonds and increasing investments in municipal and treasury securities. A.M. Best expects the group to maintain a position of above average investment leverage, due to its significant portfolio of equity securities.

Historically, the group's investment yield has been somewhat depressed by its substantial investment in common equities and the fact that a significant proportion of its high-quality bond portfolio is invested in tax-exempt municipal government agency securities. Operating cash flow has historically been solid, helping growth in invested assets, and leading to bolstered net investment income.

INVESTMENT GAINS ($000)

Year	Company Net Inv Income	Company Realized Capital Gains	Company Unrealized Capital Gains
2010	...	...	...
2011	...	...	...
2012	...	...	...
2013	14	...	...
2014	193	...	...

	Company				Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2010	...	...	...	...	...	...
2011	...	...	...	...	...	...
2012	...	...	...	...	...	...
2013	...	...	...	...	...	...
2014	999.9	0.5	0.5	0.5	2.8	2.4
5-Yr Avg	...	...	...	...	-3.3	2.7

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Capitalization: The group's capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is supportive of the current rating. The strong capital position is maintained despite the payment of dividends annually to parent company Markel Corporation to enhance financial flexibility and increase company liquidity. The group's capital base during the most recent calendar year increased by almost 11%, following a 15% increase the year prior, driven by net income and unrealized capital gains, which more than offset dividends paid to the parent. Capital contributions, including additional capital provided via distributions made by Markel International, helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan.

Historically, growth in the group's surplus had been driven by strong, consistent underwriting and investment earnings. In addition, realized, and in some years unrealized gains, had supplemented the organic capital generation. A.M. Best expects the parent company to continue to receive dividends from its profitable insurance subsidiaries. The acquisition of the Alterra entities should help spread dividend requirements to include these newest subsidiaries. The expectation of continued strong operating earnings should enable the group to strengthen its surplus base. Additionally, the parent company maintains solid financial flexibility and has also shown the ability to access the capital markets over the years.

While the group's capitalization remains supportive of the current rating, it still has elevated net underwriting leverage compared to the composite average. Despite considerable operating earnings, underwriting leverage measures increased marginally in recent years before moderating slightly during the past two years. Growth in premium has resulted from the recent acquisitions and for some select classes and lines of coverage, more favorable rates. A.M. Best has long believed that Markel maintains an appreciable amount of equity embedded in its loss reserves. Unpaid loss and loss adjustment expense reserves have been maintained at levels consistently above the independent actuary's best estimate and continue to yield considerable economic value. These conservative reserving practices are primarily responsible for the group's elevated liability leverage, which also contributes to the elevated underwriting leverage. Reserves related to asbestos and environmental (A&E) exposures have accounted for a small amount of adverse prior year development.

Current BCAR: 209.5

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	...	...	...	...
2011	...	...	...	...
2012	...	...	...	...
2013	14	...	5	...
2014	193	...	14	...

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	...	...	...	...
2011	...	...	...	...
2012	...	...	...	...
2013	26,022	-1	26,030	...
2014	3,970	0	4,149	15.9

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	...	...
2011	...	...	...	...
2012	...	...	...	...
2013	...	...	31,760	-5,730
2014	...	...	35,730	-5,551

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	...	...	...
2011	...	...	...
2012	...	...	...
2013	26,030	...	26,030
2014	30,179	...	30,179

LEVERAGE ANALYSIS

	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2010	…	…	…	…	…	…	…	…
2011	…	…	…	…	…	…	…	…
2012	…	…	…	…	…	…	…	…
2013	…	…	1.8	2.0	…	…	1.7	1.8
2014	…	…	0.8	1.0	…	…	1.5	1.6

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)
2010	…	…	…	…	…	…	…
2011	…	…	…	…	…	…	…
2012	…	…	…	…	…	…	…
2013	3,402	…	0.4	13.1	…	13.0	14.9
2014	4,434	…	0.3	14.7	…	12.7	14.6

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	17,428	33,181	103,859	…	154,468
Other Non-US	…	…	85	…	85
Total (ex US Affils)	…	…	85	…	85
Grand Total	17,428	33,181	103,944	…	154,553

* Includes Commissions less Funds Withheld

Loss Reserves: Loss reserve trends of recent years have indicated favorable accident year loss reserve development across nearly all classes of business. Adverse development has been experienced on asbestos and environmental losses relating to an increase in severity on claims reported, primarily concerning environmental-related claims; however, this has had a relatively minimal impact on overall reserves. Generally, the group has experienced significant redundancies on its loss reserves in recent accident years in the professional liability, casualty, and commercial multiple peril classes of business.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Liquidity: Underwriting and operating cash flow have historically allowed the group to maintain current and overall liquidity measures that were modestly below the composite average. Substantial historical cash and invested assets at the parent-only level and proven access to the debt and equity capital markets, serve to further enhance Markel's overall liquidity position. Underwriting and operating cash flows have improved considerably during the past two calendar years, driven by increased premium volume. In 2013, ultimate parent Markel Corporation exercised the accordion on its existing $150 million revolving credit facility to $300 million, in addition to substantial increases in available limits at credit facilities totaling nearly $1 billion via the Alterra acquisition.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2010	…	…	…	…	…	…	…	…
2011	…	…	…	…	…	…	…	…
2012	…	…	…	…	…	…	…	…
2013	210.4	112.1	154.5	53.5	79.6	150.9	205.1	2.0
2014	112.6	123.3	221.0	52.2	80.7	149.2	209.2	2.0

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2010	…	…	…	…	…	…	…
2011	…	…	…	…	…	…	…
2012	…	…	…	…	…	…	…
2013	28,260	28,443	48,925	-36.1	-36.9	102.2	107.2
2014	-26,517	-26,419	-28,535	-99.9	-99.9	92.0	99.0

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Investments: Invested assets are largely geared toward fixed income securities with approximately 34% of invested assets in common equities. Markel's investment policy emphasizes quality and long-term value in both fixed income and equity investments. The investment mix provides for the preservation of capital through relatively safe and stable investments. The quality of the fixed income portfolio was exceptional, with 99% being investment grade. The fixed income and equity portfolios had market values that were above book values. Investment leverage is elevated as common stocks represented 107% of surplus in 2013 which far exceeds the composite average. However, the equity portfolio is closely managed and well diversified consisting of a number of publicly traded securities in various market sectors.

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg
	0-1	1-5	5-10	10-20	20+	Maturity
Government	63.6	15.0	…	…	…	1
Gov't Agencies & Muni	4.7	…	16.8	…	…	6
Total	68.3	15.0	16.8	…	…	2

	2014	2013	2012	2011	2010
Bonds (000)	10,195	4,622	...	...	...
US Government	47.2	100.0	...	...	...
State/Special Revenue - US	52.8	...	...	...	...
Public Issues	100.0	100.0	...	...	...

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	100.0	100.0	...	...	...

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	20,389	48,925	...	...	...
Cash	-7.6	42.9	...	...	...
Short-Term	107.6	57.1	...	...	...

HISTORY

The company was incorporated under the laws of Missouri on April 27, 1979 as American Central Insurance Company and commenced business on January 1, 1983. The current title was adopted on September 27, 2007.

Effective January 1, 2013, the company was acquired by Markel Corporation from OneBeacon Insurance Group LLC, an indirect wholly-owned subsidiary of OneBeacon Insurance Group, Ltd., a publicly traded insurance holding company domiciled in Bermuda.

MANAGEMENT

The majority (90.1%) of the outstanding capital stock of the company is owned by Markel Corporation, Glen Allen, Virginia, a publicly traded holding company that trades on the NYSE under the ticker symbol “MKL”. Pursuant to a Subscription Agreement dated January 2, 2014, The Hagerty Group, LLC (Hagerty), a non-affiliate, purchased 4,950 newly issued shares of the company for $3,970,000, resulting in Hagerty owning 9.9% of the company.

Operations of the company are conducted by an affiliate under a management agreement with Markel Service, Incorporated. Services provided include, but are not limited to, underwriting, management, claims handling, accounting, reinsurance and administration.

Officers: President, F. Michael Crowley; Senior Vice Presidents, Thomas K. Smith, Richard R. Whitt III; Vice President and Secretary, Richard R. Grinnan; Vice President, Treasurer and Chief Financial Officer, Anne G. Waleski; Vice Presidents, Deidre D. Balbuena, Nora N. Crouch, Audrey J. Hanken, Bruce A. Kay, Robin Russo; Controller, Robert G. Whitt III.

Directors: Gerard Albanese Jr., Michael F. Crowley, Britton L. Glisson, Richard R. Grinnan, Alan I. Kirshner, Bradley J. Kiscaden, Thomas K. Smith, Anne G. Waleski, Richard R. Whitt III.

REGULATORY

An examination of the financial condition was made as of December 31, 2011, by the insurance department of Missouri. The 2014 annual independent audit of the company was conducted by KPMG LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS, MAAA, KPMG LLP.

REINSURANCE

The company entered into a 100% quota share reinsurance agreement with an affiliate, Evanston Insurance Company, for all business written after January 1, 2013 net of third party reinsurance. At March 1, 2014, coverage for wind and earthquake was placed on a traditional basis. The traditional reinsurance coverage is placed 100% of the combined layer of $60 million excess of $10 million.

The company's principal non-affiliated reinsurers are: Lloyd's Syndicate 0033, Lloyd's Syndicate 0510, Validus Reinsurance Ltd., Aspen Bermuda Limited, Lloyd's Syndicate 2003, Lloyd's Syndicate 2987, ACE Tembest Reinsurance Ltd., Lloyd's Syndicate 2014, Lloyd's Syndicate 0435 and Lloyd's Syndicate 2007.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	'14%	'13%
Bonds	10,195	4,622	18.5	6.3
Cash & short-term invest	20,389	48,925	37.0	66.3
Total invested assets	30,585	53,547	55.5	72.5
Premium balances	15,749	13,918	28.6	18.9
Accrued interest	176	7	0.3	0.0
All other assets	8,610	6,337	15.6	8.6
Total assets	55,120	73,809	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	'14%	'13%
All other liabilities	24,941	47,779	45.2	64.7
Total liabilities	24,941	47,779	45.2	64.7
Capital & assigned surplus	35,730	31,760	64.8	43.0
Unassigned surplus	-5,551	-5,730	-10.1	-7.8
Total policyholders' surplus	30,179	26,030	54.8	35.3
Total liabilities & surplus	55,120	73,809	100.0	100.0

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	...	Premiums collected	-21,206
Losses incurred	...	Benefit & loss-related pmts	3,276
Undrw expenses incurred	0	LAE & undrw expenses paid	2,035
Net underwriting income	0	Undrw cash flow	-26,517
Net investment income	193	Investment income	103
Pre-tax oper income	193	Pre-tax cash operations	-26,414
Income taxes incurred	14	Income taxes pd (recov)	5
Net income	179	Net oper cash flow	-26,419

Ultimate Parent: Markel Corporation

ESSEX INSURANCE COMPANY

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Web: www.markelcorp.com

Tel: 804-747-0136 **Fax: 804-572-6389**
AMB#: 002732 **NAIC#: 39020**
Ultimate Parent#: 058405 **FEIN#: 54-1132719**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of the Markel North America operations have been extended to Essex Insurance Company based on its role and strategic importance to the overall strategy, particularly with respect to providing excess and surplus lines insurance solutions for Markel customers engaged in highly specialized activities overlooked by standard market insurers. The ratings also recognize common ownership, common management and the implied support of future parental commitment if and when necessary.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

The ratings reflect Markel North America Insurance Group's (Markel) well-established market position as one of the leading excess and surplus lines organizations in the United States, its historically profitable operating performance, solid risk-adjusted capitalization and ability to attract growth after many years of an extended soft market cycle. These positive attributes are partially offset by the group's elevated underwriting leverage, above average common stock leverage, high expense base and the challenges presented by low new money yields and the prevailing economic conditions.

Markel's specialty orientation and its commitment to profitability remain key attributes. As a writer of specialty admitted and excess and surplus lines insurance, Markel serves a variety of niche markets, specializing in unique hard-to-place risks that are driven by factors often extending beyond price. In addition, the group has established a history of producing excellent operating results over the past decade through adherence to underwriting fundamentals, and very conservative loss reserving practices, which have resulted in consistently favorable accident year loss reserve development. Markel's solid cash flow and equity appreciation via realized capital gains have also proven to be consistent contributors to its strong operating performance. Operating earnings over the long term have provided the financial wherewithal for the group to pay dividends, in spite of the restrictive effect of those payments on surplus appreciation. Traditionally strong operating cash flows have led to the group's adequate liquidity position that is enhanced by the considerable liquidity at the parent company.

The group has historically operated at a higher underwriting leverage position than the surplus lines composite average. Both net premium and liability leverage have exceeded that of the composite, driven by the conservative reserving philosophy and payment of stockholder dividends to maximize financial flexibility at the parent company. Somewhat concerning is Markel's above average common stock leverage, which has long been elevated relative to its composite peers and has continued to increase in recent years. This concern, however, is tempered by the considerable diversification among investments, the company's successful track record and management's long-held investment strategy to protect and build shareholder value. A.M. Best will continue to closely monitor underwriting and investment performance of the group's member companies, and of the group itself, to assure that capital strength remains supportive of the ratings.

Potential upward movement in the ratings could result from improved performance measures and operating conditions as well as sustained, if not improved, risk-adjusted capitalization. Downward movement could result from a material decline in capitalization, negative trends in claim frequency or severity that could materially impair underwriting results, a significant decline in equity capital markets and the possible resulting impact on the company's investment portfolio and capitalization, as well as an unforeseen increase in operating expenses.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	09/07/11	A
03/21/14	A	07/20/10	A
11/13/12	A		

Best's Rating Report

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	293,277	277,987	33,852	37,537	1,054,143	339,635
2011	320,975	317,720	36,245	34,436	1,109,418	345,460
2012	371,709	356,471	45,191	38,496	1,135,319	334,746
2013	434,809	414,667	113,179	87,912	1,210,701	385,333
2014	472,404	433,823	88,490	67,984	1,339,821	416,532

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2010	97.4	3.7	12.9	73.9	0.8	2.9	147.9	119.8
2011	96.8	3.5	12.0	76.7	0.9	3.1	145.4	125.8
2012	95.5	3.4	13.1	105.9	1.1	3.5	141.9	112.9
2013	76.4	2.7	28.9	114.5	1.1	3.2	146.7	119.6
2014	86.8	2.7	20.4	118.7	1.0	3.3	145.1	145.8
5-Yr	89.5	3.2	18.3	…	…	…	…	…

(*) Within several financial tables of this report, this company is compared against the Surplus Lines Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

Essex Insurance Company is a surplus lines writer and underwrites specialty insurance products and programs. Significant areas of underwriting include light-to-medium hazard property and casualty business including specific niches such as day care facilities, short-line railroads and driving schools, among others.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel is one of the leading writers of surplus lines and specialty admitted business in the United States ranking among the top ten writers of direct, non-admitted (surplus lines) business in the United States annually. The group markets and underwrites specialty insurance products and programs to a variety of niche markets within the surplus lines and specialty admitted segments.

Domestically, Markel is focused on two market divisions: the Excess and Surplus and the Specialty Admitted divisions. Excess and Surplus lines business is written through well-established programs including brokerage property and brokerage casualty; marine; products liability; inland marine; excess and umbrella; public entity; professional liability; miscellaneous errors and omissions coverage and environmental. This business is predominantly generated by wholesale producers. The group also has Specialty Admitted coverage for niches such as camps; day care centers; social services; health and fitness; medical transportation; senior living centers; museums; commercial marine; small business workers' compensation; specialty ranches and farms; and excess flood. Specialty Admitted products are predominantly sold by retail agencies. Selected personal lines coverage is substantially provided direct to policyholders. They include motorcycles, watercraft, yachts; equine mortality; and special events.

All Markel excess and surplus lines products are distributed through regional offices via wholesale producers. Each of the six regional offices, geographically located in the Northeast, Southeast, Midwest, Mid-South and West areas of the U.S., offer the full suite of Markel's wholesale products to their producers. The regional structure was designed to put underwriters closer to producers while aligning the company's resources to be deployed more efficiently throughout the country.

In terms of excess and surplus lines business, Markel's business has been produced primarily through 312 professional surplus lines general agents who have 823 offices nationwide. Approximately 129 have limited quoting and binding authority. This property and casualty business includes special property, railroad, inland marine and ocean marine.

The professional and products liability lines focus on long-tail surplus lines coverage written on a claims-made basis for highly specialized professions with business produced nationally through wholesale brokers. The products that are offered include professional liability for physicians and allied health care providers, professional liability for lawyers, architects and engineers, agents and brokers, electronic data professionals, management consultants, financial advisors, errors and omissions, directors and officers, employment practices liability, and products liability for new business products and technology.

Brokered excess and surplus lines business is comprised of primary casualty, property, excess and umbrella, environmental, transportation, special programs, and casualty facultative reinsurance. Markel produces this business through wholesale brokers and reinsurance brokers.

Markel's Specialty Admitted division is comprised primarily of admitted specialty commercial program package coverage, workers' compensation and specialty personal lines.

The Specialty commercial business focuses on multi-line insurance programs for businesses engaged in similar, but highly specialized activities. Most of the business is produced through approximately 9,800 retail agencies.

In 2010, Markel acquired Aspen Holdings, Inc. (now known as Markel Aspen, Inc.) an insurance group that provides workers' compensation insurance and related services, principally to small businesses. FirstComp Insurance Company (FirstComp), a wholly-owned insurance subsidiary of Markel Aspen, Inc., writes workers' compensation insurance for small, main street businesses in under-served rural markets. Markel Insurance Company began assuming risk and directly writing workers' compensation business beginning in 2010 and Deerfield Insurance Company began directly writing in 2011. Additionally, Evanston Insurance Company began assuming 50% of all direct writings on FirstComp, effective November 1, 2010. This business is produced through approximately 8,200 retail agency locations with varying levels of underwriting authority.

In 2012, Markel acquired Thompson Insurance Enterprises, LLC, (THOMCO), a privately held program administrator underwriting multi-line, industry-focused programs. THOMCO manages 20 national programs for companies in medical transportation, child care, fitness, senior living and other niches. THOMCO is part of the Specialty Admitted division.

The specialty personal lines products are distributed direct to the consumer primarily through limited specialty retailers with some lines through wholesale producers. The business focuses on products with high volume transactions and low average premiums. Coverage is provided for boats and yachts, fishing charters, boat and personal watercraft rental operations, motorcycles and all-terrain vehicles, higher valued bicycles, non-standard property, special events and short-term medical.

In January 2013, Markel acquired Essentia Insurance Company, which will continue to underwrite insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency throughout the United States. Hagerty is a leading insurance provider for classic vehicles. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles. Hagerty remains a privately-owned, family business.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Ending	($000)	(% Chg)	($000)	(% Chg)	($000)	(% Chg)
2010	293,277	2.8	74,496	182.3	89,786	19.4
2011	320,975	9.4	95,547	28.3	98,802	10.0
2012	371,709	15.8	104,975	9.9	120,214	21.7
2013	434,809	17.0	121,260	15.5	141,402	17.6
2014	472,404	8.6	25,253	-79.2	63,834	-54.9
5-Yr CAGR	…	10.6	…	-0.9	…	-3.2

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2010	277,987	17.5	262,387	3.3
2011	317,720	14.3	301,186	14.8
2012	356,471	12.2	344,266	14.3
2013	414,667	16.3	392,039	13.9
2014	433,823	4.6	432,804	10.4
5-Yr CAGR	…	12.9	…	11.2

Territory: The company is licensed in Delaware. It also operates on a surplus lines or non-admitted basis in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY. Essex is an accredited reinsurer in its state of domicile, Delaware, and in IL, NJ, NC, PA and VA.

2014 BY-LINE BUSINESS ($000)

	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Product Line	($000)	(%)	($000)	(%)	($000)	(%)
Oth Liab Occur	183,251	38.8	6,960	27.6	8,820	13.8
Com'l MultiPeril	95,524	20.2	241	1.0	4,892	7.7
Inland Marine	47,860	10.1	81	0.3	1,674	2.6
Fire	29,216	6.2	13,735	54.4	5,932	9.3
Allied Lines	28,545	6.0	796	3.2	14,582	22.8
Oth Liab CM	15,896	3.4	…	…	2,676	4.2
Homeowners	21,263	4.5	89	0.4	8,915	14.0
Earthquake	19,861	4.2	56	0.2	12,832	20.1
All Other	30,988	6.6	3,296	13.1	3,511	5.5
Total	472,404	100.0	25,253	100.0	63,834	100.0

	NPW		Business Retention
Product Line	($000)	(%)	(%)
Oth Liab Occur	181,390	41.8	95.9
Com'l MultiPeril	90,872	20.9	95.1
Inland Marine	46,268	10.7	96.5
Fire	37,019	8.5	86.2
Allied Lines	14,759	3.4	50.3
Oth Liab CM	13,220	3.0	83.2
Homeowners	12,437	2.9	58.2
Earthquake	7,085	1.6	35.6
All Other	30,773	7.1	94.1
Total	433,823	100.0	88.0

BY-LINE RESERVES ($000)

Product Line	2014	2013	2012	2011	2010
Oth Liab Occur	399,888	354,970	365,522	390,253	388,273
Com'l MultiPeril	91,666	81,371	91,480	78,006	71,851
Inland Marine	13,924	13,579	16,615	15,971	14,464
Fire	15,025	16,429	23,915	18,967	9,686
Allied Lines	14,728	16,222	24,278	28,458	27,549
Oth Liab CM	13,623	10,850	13,878	11,127	12,330
Homeowners	3,091	2,513	10,371	2,168	940
Earthquake	991	610	1,591	1,191	609
All Other	67,827	73,378	61,094	44,907	53,858
Total	620,762	569,922	608,742	591,049	579,561

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2014	2013	2012	2011	2010
Texas	86,672	74,145	52,111	42,091	34,888
California	59,232	55,217	50,829	49,767	48,243
Florida	50,448	50,732	45,115	34,437	31,432
Illinois	27,253	25,518	24,499	23,262	26,836
New Jersey	23,497	21,347	16,872	14,606	13,577
New York	19,119	17,312	13,899	12,590	12,368
Georgia	19,065	16,574	13,326	9,347	6,978
Massachusetts	13,684	12,432	11,110	9,349	7,871
Louisiana	12,900	11,913	9,660	10,647	11,628
Pennsylvania	12,465	12,747	11,734	10,352	8,739
All Other	148,070	136,871	122,554	104,527	90,716
Total	472,404	434,809	371,709	320,975	293,277

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel's Enterprise Risk Management (ERM) processes continue to evolve as refinements are introduced to provide an integrated view of the company's risks and to enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements includes a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Operating Results: The group has generated considerable net income annually over the last five years. Operating earnings over this time frame have been driven by Markel's underwriting income combined with the solid performance of the group's high-quality investment portfolio that produces substantial and consistent net investment income. Both underwriting income and investment income have contributed to the group's annual pretax operating income. Up until 2011, very competitive market conditions on surplus lines and specialty business led directly to declining written and earned premium levels, and somewhat limited underwriting profitability. Markel has long maintained a sizable portfolio of securities that have long been highly rated and are integral to the group's buy-and-hold investment philosophy.

The group's historical production of underwriting income has largely been attributable to its niche underwriting expertise, proven risk management techniques and the rate and form flexibility afforded within the surplus lines market as well as the favorable development of reserves from prior accident years. Strong operating cash flows have helped build the group's invested asset base and continue to enhance net investment income. The group's five-year pretax return on revenue trails that of the surplus lines composite; however, Markel's total return on surplus for the period exceeds the composite average.

Absent significant reserve increases or extraordinary event-driven losses, A.M. Best expects the group to reap the benefits of its effective underwriting platform. The group is also expected to capitalize on the long-term relationships with its multi-dimensional distribution platform to help foster revenue and overall earnings prospects for Markel in 2015 and beyond.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2010	33,852	28,019	37,537	57,889
2011	36,245	26,648	34,436	36,739
2012	45,191	36,262	38,496	63,445
2013	113,179	81,259	87,912	152,785
2014	88,490	63,180	67,984	111,507
5-Yr Total	316,956	235,367	266,366	422,366

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2010	12.9	16.9	83.9	19.9	9.7	79.7
2011	12.0	10.7	85.1	16.9	5.8	82.5
2012	13.1	18.7	85.1	13.1	8.1	88.8
2013	28.9	42.4	68.8	32.6	15.3	68.0
2014	20.4	27.8	79.4	23.9	12.7	73.5
5-Yr Avg	18.3	23.7	79.9	21.2	10.4	78.6

Underwriting Results: Markel has posted net underwriting profits in each of the last ten years, with the exception being 2012 (Superstorm Sandy). From a combined ratio perspective, Markel continues to post better than average underwriting results, as exemplified by its five and ten-year key underwriting measures which are on par with the averages of the highly profitable surplus lines composite. Given its specialty orientation, the group has employed underwriting and pricing strategies developed from a base of considerable knowledge within these select divisions that have proven effective over the long term. Highly favorable loss reserve development in recent accident years has also boosted calendar year underwriting results. The group's historical profitability has also been minimally impacted by reserve increases on outstanding asbestos and environmental (A&E) reserves. These reserve

increases are largely indicative of management's conservative philosophy to establish reserves that prove to be more likely redundant than deficient. A majority of reserve increases are in the group's incurred but not reported (IBNR) reserves.

Recent initiatives have caused an increase in underwriting expenses, however systems improvements have helped mitigate some of those increased costs and are expected to continue generating expense efficiencies over the medium to long term. As mentioned previously, the underwriting loss posted in 2012, the single year in the last decade that produced an underwriting loss, was driven primarily by Superstorm Sandy as well as a lower take down of prior accident year reserves, which included some development on A&E reserves. Absent significant catastrophe activity or further A&E reserve strengthening, A.M. Best expects Markel to sustain its underwriting profitability via adherence to proven risk selection, underwriting and pricing strategies despite the challenges of a competitive surplus lines and specialty admitted market.

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income ($000)	—Loss Ratios— Pure Loss	LAE	Loss & LAE	—Expense Ratios— Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio	Ind Comb. Ratio
2010	-1,321	25.9	18.7	44.6	19.8	32.9	52.7	...	97.4	100.7
2011	2,142	38.3	12.2	50.5	19.0	27.2	46.2	...	96.8	105.0
2012	10,170	29.0	22.0	51.1	18.8	25.6	44.4	...	95.5	109.2
2013	83,626	24.1	12.3	36.5	19.2	20.7	39.9	...	76.4	92.6
2014	56,623	34.6	12.2	46.8	19.3	20.7	40.0	...	86.8	89.5
5-Yr Total/Avg	151,240	30.5	15.2	45.6	19.2	24.7	43.9	...	89.5	99.3

BY-LINE LOSS RATIO

Product Line	2014	2013	2012	2011	2010	5-Yr Avg
Oth Liab Occur	34.9	20.7	-6.0	18.1	23.0	19.8
Com'l MultiPeril	37.6	22.3	32.2	48.7	32.8	34.4
Inland Marine	43.7	45.1	50.9	39.9	26.1	40.4
Fire	20.3	13.3	51.4	108.6	45.9	44.1
Allied Lines	61.9	35.5	112.4	63.1	-1.7	57.2
Oth Liab CM	-2.9	6.5	113.8	77.2	-25.7	28.7
Homeowners	48.6	-11.0	105.8	39.1	37.5	42.0
Earthquake	6.8	-9.3	12.0	18.7	-16.8	3.4
All Other	26.7	35.1	32.8	26.1	25.9	30.4
Total	34.6	24.1	29.0	38.3	25.9	30.5

DIRECT LOSS RATIO BY STATE

	2014	2013	2012	2011	2010	5-Yr Avg
Texas	35.3	44.1	22.5	54.6	22.7	36.4
California	29.7	25.1	16.8	21.1	9.9	21.0
Florida	28.5	17.6	-1.8	10.5	29.5	17.1
Illinois	53.0	52.6	11.5	29.1	5.6	30.1
New Jersey	24.6	-52.2	148.4	63.1	-33.4	29.2
New York	5.8	-44.5	122.6	1.9	45.6	23.2
Georgia	43.8	41.6	6.4	57.2	36.7	37.0
Massachusetts	35.9	9.0	9.9	24.5	83.3	29.4
Louisiana	16.8	8.5	-17.2	15.6	18.3	9.4
Pennsylvania	34.3	25.4	6.7	23.4	100.0	34.8
All Other	30.3	17.1	20.3	39.1	23.3	25.7
Total	31.4	19.8	24.6	32.8	22.3	26.3

Investment Results: Markel continues to employ an investment philosophy emphasizing total return over the long term, in conjunction with a focus on the preservation of capital. Ensuring consistent application of developed strategies, the group's invested assets are managed internally by a group of investment professionals whose track record for investment income generation has been very good over the long-term. While the group's five-year net investment yield slightly trails the average posted by the surplus lines composite, its total return on invested assets outpaces the composite average, driven by realized investment gains. Results have improved since 2008 due to improved capital market conditions, and planned changes de-emphasizing corporate bonds and increasing investments in municipal and treasury securities. A.M. Best expects the group to maintain a position of above average investment leverage, due to its significant portfolio of equity securities.

Historically, the group's investment yield has been somewhat depressed by its substantial investment in common equities and the fact that a significant proportion of its high-quality bond portfolio is invested in tax-exempt municipal government agency securities. Operating cash flow has historically been solid, helping growth in invested assets, and leading to bolstered net investment income.

INVESTMENT GAINS ($000)

Year	—Company— Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2010	35,235	9,518	20,352
2011	35,220	7,788	2,303
2012	35,606	2,235	24,949
2013	29,638	6,654	64,873
2014	31,942	4,804	43,524
5-Yr Total	167,641	30,998	156,000

	Company				Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2010	-0.4	3.7	4.7	7.6	8.0	4.1
2011	0.0	3.5	4.3	4.4	9.7	4.3
2012	1.1	3.4	3.6	7.4	-6.1	4.0
2013	-16.8	2.7	3.3	12.4	10.9	4.4
2014	7.8	2.7	3.1	8.7	-23.7	3.3
5-Yr Avg	-2.0	3.2	3.8	8.2	-1.1	4.0

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Capitalization: The group's capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is supportive of the current rating. The strong capital position is maintained despite the payment of dividends annually to parent company Markel Corporation to enhance financial flexibility and increase company liquidity. The group's capital base during the most recent calendar year increased by almost 11%, following a 15% increase the year prior, driven by net income and unrealized capital gains, which more than offset dividends paid to the parent. Capital contributions, including additional capital provided via distributions made by Markel International, helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan.

Historically, growth in the group's surplus had been driven by strong, consistent underwriting and investment earnings. In addition, realized, and in some years unrealized gains, had supplemented the organic capital generation. A.M. Best expects the parent company to continue to receive dividends from its profitable insurance subsidiaries. The acquisition of the Alterra entities should help spread dividend requirements to include these newest subsidiaries. The expectation of continued strong operating earnings should enable the group to strengthen its surplus base. Additionally, the parent company maintains solid financial flexibility and has also shown the ability to access the capital markets over the years.

While the group's capitalization remains supportive of the current rating, it still has elevated net underwriting leverage compared to the composite average. Despite considerable operating earnings, underwriting leverage measures increased marginally in recent years before moderating slightly during the past two years. Growth in premium has resulted from the recent acquisitions and for some select classes and lines of coverage, more favorable rates. A.M. Best has long believed that Markel maintains an appreciable amount of equity embedded in its loss reserves. Unpaid loss and loss adjustment expense reserves have been maintained at levels consistently above the independent actuary's best estimate and continue to yield considerable economic value. These conservative reserving practices are primarily responsible for the group's elevated liability leverage, which also contributes to the elevated underwriting leverage. Reserves related to asbestos and environmental (A&E) exposures have accounted for a small amount of adverse prior year development.

Current BCAR: 209.5

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	33,852	9,518	5,833	20,352
2011	36,245	7,788	9,597	2,303
2012	45,191	2,235	8,929	24,949
2013	113,179	6,654	31,920	64,873
2014	88,490	4,804	25,310	43,524
5-Yr Total	316,956	30,998	81,589	156,000

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	-57,475	-4,388	-3,974	-1.2
2011	-33,964	3,049	5,824	1.7
2012	-75,000	841	-10,714	-3.1
2013	-100,000	-2,198	50,587	15.1
2014	-81,259	950	31,199	8.1
5-Yr Total	-347,697	-1,746	72,923	3.9

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	113,871	225,765
2011	...	...	113,077	232,382
2012	...	...	113,077	221,668
2013	...	...	113,077	272,255
2014	...	...	113,077	303,454

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	339,635	1,955	341,590
2011	345,460	801	346,261
2012	334,746	331	335,077
2013	385,333	72	385,404
2014	416,532	167	416,699

LEVERAGE ANALYSIS

	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2010	0.8	1.7	2.9	3.4	0.4	1.0	1.8	2.6
2011	0.9	1.7	3.1	3.7	0.4	0.9	1.8	2.5
2012	1.1	1.8	3.5	4.2	0.4	0.9	1.7	2.5
2013	1.1	1.5	3.2	3.7	0.3	0.8	1.6	2.4
2014	1.0	1.5	3.3	3.6	0.4	0.8	1.8	2.7

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)
2010	172,426	83.3	34.3	50.8	50.8	57.8	79.4
2011	204,430	82.4	39.6	59.2	49.2	57.1	79.1
2012	236,521	82.7	48.4	70.7	43.0	56.5	80.6
2013	169,851	85.0	25.2	44.1	38.1	58.0	82.3
2014	138,105	88.0	19.0	33.2	45.7	61.9	89.2

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	34,654	40,165	786	…	75,605
US Insurers	15,453	32,509	18,540	-2,036	64,466
Other Non-US	4,310	4,679	5,473	28	14,490
Total (ex US Affils)	19,763	37,188	24,013	-2,008	78,956
Grand Total	54,417	77,353	24,799	-2,008	154,561

* Includes Commissions less Funds Withheld

Loss Reserves: Loss reserve trends of recent years have indicated favorable accident year loss reserve development across nearly all classes of business. Adverse development has been experienced on asbestos and environmental losses relating to an increase in severity on claims reported, primarily concerning environmental-related claims; however, this has had a relatively minimal impact on overall reserves. Generally, the group has experienced significant redundancies on its loss reserves in recent accident years in the professional liability, casualty, and commercial multiple peril classes of business.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/14	Unpaid Res. to Develop. (%)
2009	543,804	294,332	-45.9	-72.6	115.9	88,172	30.0
2010	535,349	304,977	-43.0	-67.8	116.2	113,371	37.2
2011	546,694	353,749	-35.3	-55.9	117.5	162,367	45.9
2012	556,993	410,146	-26.4	-43.9	119.1	248,622	60.6
2013	518,078	460,282	-11.2	-15.0	117.4	379,312	82.4
2014	570,670	570,670	…	…	131.9	570,670	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Unpaid Reserves @12/14	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2009	92,544	51,396	-44.5	12,416	35.8	83.0
2010	103,956	87,766	-15.6	25,199	48.8	101.5
2011	150,342	124,343	-17.3	48,996	63.4	109.6
2012	194,525	156,461	-19.6	86,255	62.8	107.2
2013	168,346	167,867	-0.3	130,690	59.7	99.6
2014	191,358	191,358	…	191,358	62.3	102.3

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

	Company						Industry Composite		
Year	Net A&E Reserve ($000)	Reserve Reten-tion (%)	Net IBNR Mix (%)	Survival Ratio (3 yr)	Comb. Ratio Impact (1 yr)	Comb. Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb. Ratio Impact (1 yr)	Comb. Ratio Impact (3 yr)
2010	8,384	100.0	79.8	XX	0.5	XX	XX	1.9	XX
2011	9,411	100.0	65.2	XX	0.4	XX	XX	0.3	XX
2012	9,481	100.0	41.9	29.2	0.1	0.3	2.6	0.5	0.9
2013	8,585	100.0	65.6	19.2	0.0	0.1	2.9	1.0	0.6
2014	7,685	100.0	73.3	13.4	-0.1	0.0	8.9	0.6	0.7

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Liquidity: Underwriting and operating cash flow have historically allowed the group to maintain current and overall liquidity measures that were modestly below the composite average. Substantial historical cash and invested assets at the parent-only level and proven access to the debt and equity capital markets, serve to further enhance Markel's overall liquidity position. Underwriting and operating cash flows have improved considerably during the past two calendar years, driven by increased premium volume. In 2013, ultimate parent Markel Corporation exercised the accordion on its existing $150 million revolving credit facility to $300 million, in addition to substantial increases in available limits at credit facilities totaling nearly $1 billion via the Alterra acquisition.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2010	41.2	134.8	147.9	12.0	37.8	137.3	170.1	8.0
2011	44.5	134.6	145.4	10.5	37.4	139.1	172.4	8.1
2012	49.6	130.7	141.9	8.8	43.5	142.9	173.7	8.7
2013	65.0	135.2	146.7	10.7	50.6	148.3	178.5	9.3
2014	63.9	132.5	145.1	10.6	48.9	138.8	172.3	11.1

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2010	19,369	52,652	-30,651	107.4	119.8	140.5	156.3
2011	34,946	74,324	20,079	112.2	125.8	91.0	110.8
2012	38,293	45,336	-34,600	112.1	112.9	94.3	110.7
2013	63,263	72,208	50,855	118.4	119.6	82.1	98.3
2014	112,285	145,201	-14,364	135.6	145.8	107.3	115.1
5-Yr Total	268,156	389,720	-8,681	…	…	…	…

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Investments: Invested assets are largely geared toward fixed income securities with approximately 34% of invested assets in common equities. Markel's investment policy emphasizes quality and long-term value in both fixed income and equity investments. The investment mix provides for the preservation of capital through relatively safe and stable investments. The quality of the fixed income portfolio was exceptional, with 99% being investment grade. The fixed income and equity portfolios had market values that were above book values. Investment leverage is elevated as common stocks represented 107% of surplus in 2013 which far exceeds the composite average. However, the equity portfolio is closely managed and well diversified consisting of a number of publicly traded securities in various market sectors.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2010	1.7	…	…	72.2	73.9	9.1	3.2	17.1
2011	…	…	…	76.7	76.7	9.0	…	19.0
2012	…	…	…	105.9	105.9	9.3	…	22.2
2013	…	…	…	114.5	114.5	8.0	…	30.6
2014	…	…	…	118.7	118.7	14.6	…	35.7

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg
	0-1	1-5	5-10	10-20	20+	Maturity
Government	11.0	3.3	3.8	2.0	…	4
Gov't Agencies & Muni	14.1	25.8	23.3	9.0	2.5	6
Industrial & Misc	1.6	3.0	0.6	…	…	3
Total	26.8	32.1	27.7	10.9	2.5	5

	2014	2013	2012	2011	2010
Bonds (000)	637,703	569,907	636,909	673,321	648,857
US Government	3.9	2.0	1.9	5.9	5.4
Foreign Government	6.9	7.8	9.4	5.7	2.0
Foreign - All Other	3.2	4.7	3.7	7.5	7.6
State/Special Revenue - US	84.3	83.5	82.2	78.1	80.8
Industrial & Misc - US	1.6	1.9	2.8	2.8	4.2
Private Issues	0.7	0.9	0.9	0.8	1.0
Public Issues	99.3	99.1	99.1	99.2	99.0

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	98.8	97.0	96.7	98.1	95.1
Class 2	1.2	3.0	3.3	1.9	4.1
Class 4	…	…	…	…	0.2
Class 6	…	…	…	…	0.6

INVESTMENTS - EQUITIES

	2014	2013	2012	2011	2010
Stocks (000)	494,521	441,234	354,447	265,032	245,059
Unaffiliated Common	100.0	100.0	100.0	100.0	100.0

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	140,227	124,591	73,736	108,336	88,257
Cash	-2.5	51.4	6.2	-1.2	3.2
Short-Term	59.0	23.7	51.8	72.6	61.7
Schedule BA Assets	43.5	24.9	42.0	28.6	35.1

HISTORY

The company was incorporated on February 29, 1980 under the laws of Delaware and began business on October 22, 1980.

As of December 31, 1991, the company purchased all outstanding capital stock of National Specialty Insurance Company from an affiliate, Evanston Insurance Company. National Specialty's name was changed to Richmond Insurance Company on February 27, 1992 and was merged with and into Essex Insurance Company, effective September 30, 1994.

MANAGEMENT

All outstanding capital stock is owned by the original sponsor, Markel Corporation, Glen Allen, Virginia, a publicly traded holding company that trades on the NYSE under the ticker symbol "MKL". Operations of the company are conducted by affiliates under a management agreement with Markel Service, Incorporated and a binding authority agreement with Markel West, Inc. Services provided include, but are not limited to, underwriting, management, claims handling, accounting, reinsurance and administration.

Officers: Chairman of the Board and President, Gerard Albanese, Jr.; Senior Vice President, Richard R. Whitt, III; Vice President, Treasurer and Chief Financial Officer, Anne G. Waleski; Vice Presidents, Joanne M. Cichon-Feeney, Nora N. Crouch, Richard R. Grinnan, Bruce A. Kay; Secretary, Kathleen A. Sturgeon; Controller, Robert G. Whitt III.

Directors: Gerard Albanese, Jr., F. Michael Crowley, Britton L. Glisson, Anne G. Waleski, Richard R. Whitt III.

REGULATORY

An examination of the financial condition was made as of December 31, 2010, by the insurance department of Delaware. The 2014 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS, MAAA, KPMG, LLP.

REINSURANCE

The largest net amount insured in any one risk was $11.9 million after affiliated and nonaffiliated reinsurance. The commercial general liability business is written at gross policy limits of up to $25 million with a maximum company retention of $7 million. The property business is written at gross policy limits of up to $50 million with various reinsurance arrangements resulting in maximum company retention of $4.9 million per location. Environmental liability business is written at gross policy limits of up to $15 million and maximum company retention of $6 million. The Specialty excess and umbrella business is written at gross policy limits of up to $15 million with maximum company retention of $5.1 million.

Markel arranges catastrophe coverage for all property Insurance units within Markel North America including Global Ocean Marine and Global Inland Marine divisions of Markel North America, resulting in higher limits and more cost effective coverage. At May 1, 2014, coverage for wind and earthquake was placed on a traditional basis. The traditional reinsurance coverage is placed 65% of the combined layer of $375 million excess of $100 million and 100% of the layer $225 million excess $375 million. Additionally, a 51% quota share was placed with a maximum $240 million occurrence limit.

The company's principal non-affiliated reinsurers are: Munich Reinsurance America Inc., Scor Reinsurance Company, Lloyd's Syndicate Number 2003, Swiss Reinsurance Company Limited, XL Reinsurance America Inc., Partner Reinsurance Company of the U.S., Sirius America Insurance Company, Berkley Insurance Company, Aspen Insurance UK Limited, and Liberty Mutual Insurance Company.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	'14%	'13%
Bonds	637,703	569,907	47.6	47.1
Common stock	494,521	441,234	36.9	36.4
Cash & short-term invest	79,227	93,591	5.9	7.7
Investments in affiliates	61,000	31,000	4.6	2.6
Total invested assets	1,272,451	1,135,733	95.0	93.8
Premium balances	45,665	41,475	3.4	3.4
Accrued interest	9,214	8,522	0.7	0.7
All other assets	12,491	24,971	0.9	2.1
Total assets	1,339,821	1,210,701	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	'14%	'13%
Loss & LAE reserves	620,762	569,922	46.3	47.1
Unearned premiums	172,052	170,760	12.8	14.1
Conditional reserve funds	167	72	0.0	0.0
All other liabilities	130,309	84,614	9.7	7.0
Total liabilities	923,290	825,368	68.9	68.2
Capital & assigned surplus	113,077	113,077	8.4	9.3
Unassigned surplus	303,454	272,255	22.6	22.5
Total policyholders' surplus	416,532	385,333	31.1	31.8
Total liabilities & surplus	1,339,821	1,210,701	100.0	100.0

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	432,804	Premiums collected	427,291
Losses incurred	149,824	Benefit & loss-related pmts	100,123
LAE incurred	52,747		
Undrw expenses incurred	173,610	LAE & undrw expenses paid	214,884
Net underwriting income	56,623	Undrw cash flow	112,285
Net investment income	31,942	Investment income	34,689
Other income/expense	-76	Other income/expense	-76
Pre-tax oper income	88,490	Pre-tax cash operations	146,898
Realized capital gains	4,804		
Income taxes incurred	25,310	Income taxes pd (recov)	1,698
Net income	67,984	Net oper cash flow	145,201

Ultimate Parent: Markel Corporation

EVANSTON INSURANCE COMPANY

Ten Parkway North, Deerfield, IL 60015
Web: www.markelcorp.com

Tel: 847-572-6000 **Fax: 847-572-6389**
AMB#: 003759 **NAIC#: 35378**
Ultimate Parent#: 058405 **FEIN#: 36-2950161**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of the Markel North America operations have been extended to Evanston Insurance Company based on its role and strategic importance to the overall strategy, particularly with respect to providing excess and surplus lines insurance solutions for Markel customers engaged in highly specialized activities overlooked by standard market insurers. The ratings also recognize common ownership, common management and the implied support of future parental commitment if and when necessary.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

The ratings reflect Markel North America Insurance Group's (Markel) well-established market position as one of the leading excess and surplus lines organizations in the United States, its historically profitable operating performance, solid risk-adjusted capitalization and ability to attract growth after many years of an extended soft market cycle. These positive attributes are partially offset by the group's elevated underwriting leverage, above average common stock leverage, high expense base and the challenges presented by low new money yields and the prevailing economic conditions.

Markel's specialty orientation and its commitment to profitability remain key attributes. As a writer of specialty admitted and excess and surplus lines insurance, Markel serves a variety of niche markets, specializing in unique hard-to-place risks that are driven by factors often extending beyond price. In addition, the group has established a history of producing excellent operating results over the past decade through adherence to underwriting fundamentals, and very conservative loss reserving practices, which have resulted in consistently favorable accident year loss reserve development. Markel's solid cash flow and equity appreciation via realized capital gains have also proven to be consistent contributors to its strong operating performance. Operating earnings over the long term have provided the financial wherewithal for the group to pay dividends, in spite of the restrictive effect of those payments on surplus appreciation. Traditionally strong operating cash flows have led to the group's adequate liquidity position that is enhanced by the considerable liquidity at the parent company.

The group has historically operated at a higher underwriting leverage position than the surplus lines composite average. Both net premium and liability leverage have exceeded that of the composite, driven by the conservative reserving philosophy and payment of stockholder dividends to maximize financial flexibility at the parent company. Somewhat concerning is Markel's above average common stock leverage, which has long been elevated relative to its composite peers and has continued to increase in recent years. This concern, however, is tempered by the considerable diversification among investments, the company's successful track record and management's long-held investment strategy to protect and build shareholder value. A.M. Best will continue to closely monitor underwriting and investment performance of the group's member companies, and of the group itself, to assure that capital strength remains supportive of the ratings.

Potential upward movement in the ratings could result from improved performance measures and operating conditions as well as sustained, if not improved, risk-adjusted capitalization. Downward movement could result from a material decline in capitalization, negative trends in claim frequency or severity that could materially impair underwriting results, a significant decline in equity capital markets and the possible resulting impact on the company's investment portfolio and capitalization, as well as an unforeseen increase in operating expenses.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	09/07/11	A
03/21/14	A	07/20/10	A
11/13/12	A		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	471,471	448,541	98,013	113,675	2,168,118	610,348
2011	412,385	477,382	136,212	117,918	2,073,638	611,257
2012	410,492	451,072	81,823	84,120	2,010,235	568,387
2013	441,925	642,232	59,877	82,047	2,152,305	574,153
2014	485,709	710,567	102,308	80,788	2,401,495	635,334

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2010	96.7	3.7	21.0	68.2	0.7	3.3	139.3	101.9
2011	85.6	3.7	29.1	74.1	0.8	3.2	141.8	101.9
2012	95.7	3.4	18.3	101.3	0.8	3.3	139.8	99.7
2013	91.2	2.9	11.1	116.3	1.1	3.9	136.5	124.2
2014	92.0	2.8	15.0	121.0	1.1	3.9	136.0	134.4
5-Yr	92.2	3.3	18.4	...	...	...	...	...

(*) Within several financial tables of this report, this company is compared against the Surplus Lines Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

Evanston Insurance Company is a surplus lines writer and underwrites specialty insurance products and programs. Significant areas of underwriting include professional and products liability, employment practice liability, primary casualty, property and excess and umbrella.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel is one of the leading writers of surplus lines and specialty admitted business in the United States ranking among the top ten writers of direct, non-admitted (surplus lines) business in the United States annually. The group markets and underwrites specialty insurance products and programs to a variety of niche markets within the surplus lines and specialty admitted segments.

Domestically, Markel is focused on two market divisions: the Excess and Surplus and the Specialty Admitted divisions. Excess and Surplus lines business is written through well-established programs including brokerage property and brokerage casualty; marine; products liability; inland marine; excess and umbrella; public entity; professional liability; miscellaneous errors and omissions coverage and environmental. This business is predominantly generated by wholesale producers. The group also has Specialty Admitted coverage for niches such as camps; day care centers; social services; health and fitness; medical transportation; senior living centers; museums; commercial marine; small business workers' compensation; specialty ranches and farms; and excess flood. Specialty Admitted products are predominantly sold by retail agencies. Selected personal lines coverage is substantially provided direct to policyholders. They include motorcycles, watercraft, yachts; equine mortality; and special events.

All Markel excess and surplus lines products are distributed through regional offices via wholesale producers. Each of the six regional offices, geographically located in the Northeast, Southeast, Midwest, Mid-South and West areas of the U.S., offer the full suite of Markel's wholesale products to their producers. The regional structure was designed to put underwriters closer to producers while aligning the company's resources to be deployed more efficiently throughout the country.

In terms of excess and surplus lines business, Markel's business has been produced primarily through 312 professional surplus lines general agents who have 823 offices nationwide. Approximately 129 have limited quoting and binding authority. This property and casualty business includes special property, railroad, inland marine and ocean marine.

The professional and products liability lines focus on long-tail surplus lines coverage written on a claims-made basis for highly specialized professions with business produced nationally through wholesale brokers. The products that are offered include professional liability for physicians and allied health care providers, professional liability for lawyers, architects and engineers, agents and brokers, electronic data professionals, management consultants, financial advisors, errors and omissions, directors and officers, employment practices liability, and products liability for new business products and technology.

Brokered excess and surplus lines business is comprised of primary casualty, property, excess and umbrella, environmental, transportation, special programs, and casualty facultative reinsurance. Markel produces this business through wholesale brokers and reinsurance brokers.

Markel's Specialty Admitted division is comprised primarily of admitted specialty commercial program package coverage, workers' compensation and specialty personal lines.

The Specialty commercial business focuses on multi-line insurance programs for businesses engaged in similar, but highly specialized activities. Most of the business is produced through approximately 9,800 retail agencies.

In 2010, Markel acquired Aspen Holdings, Inc. (now known as Markel Aspen, Inc.) an insurance group that provides workers' compensation insurance and related services, principally to small businesses. FirstComp Insurance Company (FirstComp), a wholly-owned insurance subsidiary of Markel Aspen, Inc., writes workers' compensation insurance for small, main street businesses in under-served rural markets. Markel Insurance Company began assuming risk and directly writing workers' compensation business beginning in 2010 and Deerfield Insurance Company began directly writing in 2011. Additionally, Evanston Insurance Company began assuming 50% of all direct writings on FirstComp, effective November 1, 2010. This business is produced through approximately 8,200 retail agency locations with varying levels of underwriting authority.

In 2012, Markel acquired Thompson Insurance Enterprises, LLC, (THOMCO), a privately held program administrator underwriting multi-line, industry-focused programs. THOMCO manages 20 national programs for companies in medical transportation, child care, fitness, senior living and other niches. THOMCO is part of the Specialty Admitted division.

The specialty personal lines products are distributed direct to the consumer primarily through limited specialty retailers with some lines through wholesale producers. The business focuses on products with high volume transactions and low average premiums. Coverage is provided for boats and yachts, fishing charters, boat and personal watercraft rental operations, motorcycles and all-terrain vehicles, higher valued bicycles, non-standard property, special events and short-term medical.

In January 2013, Markel acquired Essentia Insurance Company, which will continue to underwrite insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency throughout the United States. Hagerty is a leading insurance provider for classic vehicles. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles. Hagerty remains a privately-owned, family business.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (% Chg)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (% Chg)
2010	471,471	-9.8	173,719	3.2	196,649	8.2
2011	412,385	-12.5	272,461	56.8	207,464	5.5
2012	410,492	-0.5	261,680	-4.0	221,100	6.6
2013	441,925	7.7	451,016	72.4	250,710	13.4
2014	485,709	9.9	332,646	-26.2	107,788	-57.0
5-Yr CAGR	...	-1.5	...	14.6	...	-9.9

Period Ending	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
2010	448,541	-12.0	465,665	-16.9
2011	477,382	6.4	468,758	0.7
2012	451,072	-5.5	447,961	-4.4
2013	642,232	42.4	541,603	20.9
2014	710,567	10.6	680,463	25.6
5-Yr CAGR	...	6.9	...	4.0

Territory: The company is licensed in Illinois. It also operates on a surplus lines or non-admitted basis in the District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY. The company is also an accredited reinsurer in its state of domicile, Illinois, and in Puerto Rico, AL, AK, AR, AZ, CA, CO, CT, DE, GA, HI, ID, IN, IA, KY, ME, MD, MA, MI, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WV, WI, and WY.

2014 BY-LINE BUSINESS ($000)

Product Line	DPW ($000)	DPW (%)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (%)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (%)
Oth Liab Occur	171,978	35.4	34,234	10.3	48,144	44.7
Oth Liab CM	113,457	23.4	24,161	7.3	12,721	11.8
Auto Physical	56	0.0	115,014	34.6	-5	0.0
Med Prof Liab CM	103,849	21.4	500	0.2	4,530	4.2
Inland Marine	120	0.0	52,579	15.8	25	0.0
Prod Liab CM	54,267	11.2	378	0.1	7,023	6.5
Priv Pass Auto Liab	...	...	42,087	12.7	...	...
Workers' Comp	...	...	41,444	12.5	4	0.0
Prod Liab Occur	10,749	2.2	3,106	0.9	1,895	1.8
Fire	17,230	3.5	13,102	3.9	24,768	23.0
All Other	14,003	2.9	6,041	1.8	8,683	8.1
Total	485,709	100.0	332,646	100.0	107,788	100.0

Product Line	NPW ($000)	NPW (%)	Business Retention (%)
Oth Liab Occur	158,069	22.2	78.3
Oth Liab CM	124,897	17.6	90.9
Auto Physical	115,075	16.2	100.0
Med Prof Liab CM	99,819	14.0	95.7
Inland Marine	52,674	7.4	100.0
Prod Liab CM	47,622	6.7	87.1
Priv Pass Auto Liab	42,087	5.9	100.0
Workers' Comp	41,440	5.8	100.0
Prod Liab Occur	11,960	1.7	88.0
Fire	5,564	0.8	18.3
All Other	11,360	1.6	62.0
Total	710,567	100.0	89.3

BY-LINE RESERVES ($000)

Product Line	2014	2013	2012	2011	2010
Oth Liab Occur	494,752	455,353	471,119	509,504	555,785
Oth Liab CM	286,792	235,682	232,433	253,569	297,123
Auto Physical	13,424	5,570	392	3,343	872
Med Prof Liab CM	162,330	132,002	124,269	129,605	144,255
Inland Marine	1,525	1,429	496	550	2,774
Prod Liab CM	85,049	67,399	73,658	83,979	93,765
Priv Pass Auto Liab	29,836	14,258	3,911	4,283	6,429
Workers' Comp	65,474	69,702	65,554	53,682	3,275
Prod Liab Occur	56,127	50,371	55,884	68,714	88,184
Fire	758	-19	60	628	2,235
All Other	27,784	76,538	79,329	77,859	99,303
Total	1,223,850	1,108,285	1,107,105	1,185,715	1,294,001

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2014	2013	2012	2011	2010
California	62,054	55,347	50,945	49,840	74,281
Texas	60,266	52,955	48,832	45,704	41,913
Florida	48,562	43,223	34,779	37,618	34,851
New York	39,614	32,415	23,657	24,007	30,851
Pennsylvania	26,894	26,103	22,088	19,085	18,392
New Jersey	17,785	17,967	16,617	17,147	16,537
Massachusetts	13,606	11,856	9,761	9,579	8,558
Georgia	13,346	13,031	10,166	9,949	11,605
Tennessee	10,995	8,328	7,386	7,044	6,378
Colorado	10,885	10,537	8,902	11,426	10,957
All Other	181,702	170,163	177,359	180,987	217,147
Total	485,709	441,925	410,492	412,385	471,471

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel's Enterprise Risk Management (ERM) processes continue to evolve as refinements are introduced to provide an integrated view of the company's risks and to enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements includes a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Operating Results: The group has generated considerable net income annually over the last five years. Operating earnings over this time frame have been driven by Markel's underwriting income combined with the solid performance of the group's high-quality investment portfolio that produces substantial and consistent net investment income. Both underwriting income and investment income have contributed to the group's annual pretax operating income. Up until 2011, very competitive market conditions on surplus lines and specialty business led directly to declining written and earned premium levels, and somewhat limited underwriting profitability. Markel has long maintained a sizable portfolio of securities that have long been highly rated and are integral to the group's buy-and-hold investment philosophy.

The group's historical production of underwriting income has largely been attributable to its niche underwriting expertise, proven risk management techniques and the rate and form flexibility afforded within the surplus lines market as well as the favorable development of reserves from prior accident years. Strong operating cash flows have helped build the group's invested asset base and continue to enhance net investment income. The group's five-year pretax return on revenue trails that of the surplus lines composite; however, Markel's total return on surplus for the period exceeds the composite average.

Absent significant reserve increases or extraordinary event-driven losses, A.M. Best expects the group to reap the benefits of its effective underwriting platform. The group is also expected to capitalize on the long-term relationships with its multi-dimensional distribution platform to help foster revenue and overall earnings prospects for Markel in 2015 and beyond.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2010	98,013	83,165	113,675	144,780
2011	136,212	106,016	117,918	120,629
2012	81,823	71,509	84,120	142,255
2013	59,877	41,276	82,047	143,570
2014	102,308	76,004	80,788	141,056
5-Yr Total	478,233	377,969	478,549	692,290

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2010	21.0	25.4	80.6	19.9	9.7	79.7
2011	29.1	19.7	70.2	16.9	5.8	82.5
2012	18.3	24.1	81.4	13.1	8.1	88.8
2013	11.1	25.1	81.0	32.6	15.3	68.0
2014	15.0	23.3	83.2	23.9	12.7	73.5
5-Yr Avg	18.4	23.5	79.6	21.2	10.4	78.6

Underwriting Results: Markel has posted net underwriting profits in each of the last ten years, with the exception being 2012 (Superstorm Sandy). From a combined ratio perspective, Markel continues to post better than average underwriting results, as exemplified by its five and ten-year key underwriting measures which are on par with the averages of the highly profitable surplus lines composite. Given its specialty orientation, the group has employed underwriting and pricing strategies developed from a base of considerable knowledge within these select divisions that have proven effective over the long term. Highly favorable loss reserve development in recent accident years has also boosted calendar year underwriting results. The group's historical profitability has also been minimally impacted by reserve increases on outstanding asbestos and environmental (A&E) reserves. These reserve

increases are largely indicative of management's conservative philosophy to establish reserves that prove to be more likely redundant than deficient. A majority of reserve increases are in the group's incurred but not reported (IBNR) reserves.

Recent initiatives have caused an increase in underwriting expenses, however systems improvements have helped mitigate some of those increased costs and are expected to continue generating expense efficiencies over the medium to long term. As mentioned previously, the underwriting loss posted in 2012, the single year in the last decade that produced an underwriting loss, was driven primarily by Superstorm Sandy as well as a lower take down of prior accident year reserves, which included some development on A&E reserves. Absent significant catastrophe activity or further A&E reserve strengthening, A.M. Best expects Markel to sustain its underwriting profitability via adherence to proven risk selection, underwriting and pricing strategies despite the challenges of a competitive surplus lines and specialty admitted market.

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income ($000)	—Loss Ratios— Pure Loss	LAE	Loss & LAE	—Expense Ratios— Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio	Ind Comb. Ratio
2010	22,982	42.3	9.6	51.9	19.3	25.5	44.8	...	96.7	100.7
2011	63,872	34.0	11.3	45.2	21.2	19.2	40.4	...	85.6	105.0
2012	17,755	42.1	11.4	53.5	23.7	18.5	42.3	...	95.7	109.2
2013	4,801	42.5	6.3	48.7	30.1	12.4	42.5	...	91.2	92.6
2014	42,200	41.1	10.3	51.4	28.2	12.4	40.6	...	92.0	89.5
5-Yr Total/Avg	151,611	40.5	9.7	50.2	25.2	16.8	42.0	...	92.2	99.3

BY-LINE LOSS RATIO

Product Line	2014	2013	2012	2011	2010	5-Yr Avg
Oth Liab Occur	40.8	35.4	44.2	-1.4	18.7	29.3
Oth Liab CM	43.0	42.8	30.7	28.8	70.4	43.4
Auto Physical	41.1	39.4	23.6	91.4	56.5	42.3
Med Prof Liab CM	42.8	47.5	50.7	32.7	20.3	38.7
Inland Marine	30.5	30.1	60.7	50.8	-99.9	16.6
Prod Liab CM	20.6	22.8	0.1	16.0	13.3	14.8
Priv Pass Auto Liab	76.8	64.1	48.4	18.6	36.2	63.7
Workers' Comp	32.4	49.9	63.8	71.9	39.0	57.5
Prod Liab Occur	24.7	-15.5	-99.9	-99.9	-99.9	-66.9
Fire	62.3	39.2	21.9	-5.1	9.2	15.1
All Other	53.7	59.4	70.5	68.1	100.5	76.9
Total	41.1	42.5	42.1	34.0	42.3	40.5

DIRECT LOSS RATIO BY STATE

	2014	2013	2012	2011	2010	5-Yr Avg
California	17.1	32.4	14.2	6.4	12.2	16.3
Texas	64.4	45.1	48.4	8.4	40.2	42.9
Florida	51.0	61.2	27.5	28.9	24.6	39.7
New York	42.8	22.6	30.2	12.8	75.9	38.4
Pennsylvania	67.0	43.3	79.3	12.9	24.7	47.5
New Jersey	69.5	58.9	-8.9	15.3	-11.7	25.4
Massachusetts	45.1	-21.8	38.3	31.8	-37.9	12.8
Georgia	46.6	16.3	60.4	104.3	50.1	53.2
Tennessee	52.1	53.3	-1.9	5.1	58.5	34.0
Colorado	18.7	14.8	7.8	34.2	52.5	26.7
All Other	33.3	35.8	44.0	37.0	59.8	42.9
Total	41.6	37.1	36.9	27.0	42.6	37.4

Investment Results: Markel continues to employ an investment philosophy emphasizing total return over the long term, in conjunction with a focus on the preservation of capital. Ensuring consistent application of developed strategies, the group's invested assets are managed internally by a group of investment professionals whose track record for investment income generation has been very good over the long-term. While the group's five-year net investment yield slightly trails the average posted by the surplus lines composite, its total return on invested assets outpaces the composite average, driven by realized investment gains. Results have improved since 2008 due to improved capital market conditions, and planned changes de-emphasizing corporate bonds and increasing investments in municipal and treasury securities. A.M. Best expects the group to maintain a position of above average investment leverage, due to its significant portfolio of equity securities.

Historically, the group's investment yield has been somewhat depressed by its substantial investment in common equities and the fact that a significant proportion of its high-quality bond portfolio is invested in tax-exempt municipal government agency securities. Operating cash flow has historically been solid, helping growth in invested assets, and leading to bolstered net investment income.

INVESTMENT GAINS ($000)

	—Company—		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2010	75,030	30,511	31,104
2011	72,340	11,902	2,711
2012	64,068	12,611	58,135
2013	55,077	40,772	61,523
2014	60,108	4,784	60,268
5-Yr Total	326,622	100,580	213,741

	Company				Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2010	2.0	3.7	5.2	7.1	8.0	4.1
2011	-3.6	3.7	4.3	4.4	9.7	4.3
2012	-11.4	3.4	4.1	8.9	-6.1	4.0
2013	-14.0	2.9	5.0	10.8	10.9	4.4
2014	9.1	2.8	3.1	7.4	-23.7	3.3
5-Yr Avg	-4.0	3.3	4.3	7.7	-1.1	4.0

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Capitalization: The group's capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is supportive of the current rating. The strong capital position is maintained despite the payment of dividends annually to parent company Markel Corporation to enhance financial flexibility and increase company liquidity. The group's capital base during the most recent calendar year increased by almost 11%, following a 15% increase the year prior, driven by net income and unrealized capital gains, which more than offset dividends paid to the parent. Capital contributions, including additional capital provided via distributions made by Markel International, helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan.

Historically, growth in the group's surplus had been driven by strong, consistent underwriting and investment earnings. In addition, realized, and in some years unrealized gains, had supplemented the organic capital generation. A.M. Best expects the parent company to continue to receive dividends from its profitable insurance subsidiaries. The acquisition of the Alterra entities should help spread dividend requirements to include these newest subsidiaries. The expectation of continued strong operating earnings should enable the group to strengthen its surplus base. Additionally, the parent company maintains solid financial flexibility and has also shown the ability to access the capital markets over the years.

While the group's capitalization remains supportive of the current rating, it still has elevated net underwriting leverage compared to the composite average. Despite considerable operating earnings, underwriting leverage measures increased marginally in recent years before moderating slightly during the past two years. Growth in premium has resulted from the recent acquisitions and for some select classes and lines of coverage, more favorable rates. A.M. Best has long believed that Markel maintains an appreciable amount of equity embedded in its loss reserves. Unpaid loss and loss adjustment expense reserves have been maintained at levels consistently above the independent actuary's best estimate and continue to yield considerable economic value. These conservative reserving practices are primarily responsible for the group's elevated liability leverage, which also contributes to the elevated underwriting leverage. Reserves related to asbestos and environmental (A&E) exposures have accounted for a small amount of adverse prior year development.

Current BCAR: 209.5

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	98,013	30,511	14,848	31,104
2011	136,212	11,902	30,197	2,711
2012	81,823	12,611	10,314	58,135
2013	59,877	40,772	18,602	61,523
2014	102,308	4,784	26,303	60,268
5-Yr Total	478,233	100,580	100,263	213,741

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	-53,634	-11,915	79,230	14.9
2011	-113,675	-6,044	909	0.1
2012	-175,000	-10,126	-42,871	-7.0
2013	-150,000	12,197	5,767	1.0
2014	-82,047	2,171	61,181	10.7
5-Yr Total	-574,357	-13,718	104,216	3.6

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	186,463	423,886
2011	...	...	186,463	424,795
2012	...	...	186,463	381,924
2013	...	...	186,463	387,691
2014	...	...	186,463	448,871

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	610,348	965	611,313
2011	611,257	379	611,636
2012	568,387	4,299	572,686
2013	574,153	1,457	575,610
2014	635,334	857	636,191

LEVERAGE ANALYSIS

Period Ending	Company: NPW to PHS	Company: Res. to PHS	Company: Net Lev.	Company: Gross Lev.	Industry Composite: NPW to PHS	Industry Composite: Res. to PHS	Industry Composite: Net Lev.	Industry Composite: Gross Lev.
2010	0.7	2.1	3.3	3.7	0.4	1.0	1.8	2.6
2011	0.8	1.9	3.2	3.6	0.4	0.9	1.8	2.5
2012	0.8	1.9	3.3	3.8	0.4	0.9	1.7	2.5
2013	1.1	1.9	3.9	4.3	0.3	0.8	1.6	2.4
2014	1.1	1.9	3.9	4.4	0.4	0.8	1.8	2.7

CEDED REINSURANCE ANALYSIS ($000)

Period Ending	Company: Ceded Reins. Total	Company: Bus. Ret. (%)	Company: Reins. Recov. to PHS (%)	Company: Ceded Reins. to PHS (%)	Industry Composite: Bus. Ret. (%)	Industry Composite: Reins. Recov. to PHS (%)	Industry Composite: Ceded Reins. to PHS (%)
2010	265,590	84.8	37.8	43.5	50.8	57.8	79.4
2011	266,036	92.0	36.7	43.5	49.2	57.1	79.1
2012	270,926	87.7	38.4	47.7	43.0	56.5	80.6
2013	261,007	90.9	34.7	45.5	38.1	58.0	82.3
2014	312,855	89.3	35.8	49.2	45.7	61.9	89.2

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates....................	46,851	73,973	5,210	…	126,034
US Insurers......................	48,155	115,819	32,597	64	196,635
Other Non-US.................	12,269	14,633	4,658	-430	31,130
Total (ex US Affils)......	60,424	130,452	37,255	-366	227,765
Grand Total....................	107,275	204,425	42,465	-366	353,799

* Includes Commissions less Funds Withheld

Loss Reserves: Loss reserve trends of recent years have indicated favorable accident year loss reserve development across nearly all classes of business. Adverse development has been experienced on asbestos and environmental losses relating to an increase in severity on claims reported, primarily concerning environmental-related claims; however, this has had a relatively minimal impact on overall reserves. Generally, the group has experienced significant redundancies on its loss reserves in recent accident years in the professional liability, casualty, and commercial multiple peril classes of business.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/14	Unpaid Res. to Develop. (%)
2009	1,271,886	940,176	-26.1	-62.5	167.7	314,720	33.5
2010	1,188,084	940,358	-20.9	-40.6	201.9	373,374	39.7
2011	1,077,416	887,473	-17.6	-31.1	189.3	463,599	52.2
2012	997,589	864,604	-13.3	-23.4	193.0	588,591	68.1
2013	998,123	924,778	-7.3	-12.8	170.7	792,437	85.7
2014	1,104,650	1,104,650	…	…	162.3	1,104,650	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Unpaid Reserves @12/14	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2009	289,955	210,310	-27.5	45,027	57.3	101.3
2010	245,787	213,544	-13.1	58,654	69.4	114.2
2011	244,958	193,894	-20.8	90,225	56.7	97.1
2012	241,326	211,125	-12.5	124,992	64.7	107.0
2013	256,604	241,364	-5.9	203,846	61.2	103.7
2014	312,213	312,213	…	312,213	64.7	105.3

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

Year	Company: Net A&E Reserve ($000)	Company: Reserve Reten-tion (%)	Company: Net IBNR Mix (%)	Company: Survival Ratio (3 yr)	Company: Comb. Ratio Impact (1 yr)	Company: Comb. Ratio Impact (3 yr)	Industry Composite: Survival Ratio (3 yr)	Industry Composite: Comb. Ratio Impact (1 yr)	Industry Composite: Comb. Ratio Impact (3 yr)
2010	88,459	90.3	23.2	XX	-0.1	XX	XX	1.9	XX
2011	86,208	90.2	22.2	XX	0.0	XX	XX	0.3	XX
2012	77,914	92.7	29.7	9.1	2.3	0.7	2.6	0.5	0.9
2013	94,140	93.0	26.5	10.6	4.1	2.2	2.9	1.0	0.6
2014	111,292	91.0	24.9	10.1	3.8	3.5	8.9	0.6	0.7

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Liquidity: Underwriting and operating cash flow have historically allowed the group to maintain current and overall liquidity measures that were modestly below the composite average. Substantial historical cash and invested assets at the parent-only level and proven access to the debt and equity capital markets, serve to further enhance Markel's overall liquidity position. Underwriting and operating cash flows have improved considerably during the past two calendar years, driven by increased premium volume. In 2013, ultimate parent Markel Corporation exercised the accordion on its existing $150 million revolving credit facility to $300 million, in addition to substantial increases in available limits at credit facilities totaling nearly $1 billion via the Alterra acquisition.

LIQUIDITY ANALYSIS

Period Ending	Company: Quick Liq. (%)	Company: Current Liq. (%)	Company: Overall Liq. (%)	Company: Gross Agents Bal. to PHS (%)	Industry Composite: Quick Liq. (%)	Industry Composite: Current Liq. (%)	Industry Composite: Overall Liq. (%)	Industry Composite: Gross Agents Bal. to PHS (%)
2010	33.5	128.2	139.3	9.5	37.8	137.3	170.1	8.0
2011	33.3	129.3	141.8	10.8	37.4	139.1	172.4	8.1
2012	44.7	126.0	139.8	11.0	43.5	142.9	173.7	8.7
2013	58.0	122.1	136.5	17.0	50.6	148.3	178.5	9.3
2014	58.3	123.6	136.0	10.8	48.9	138.8	172.3	11.1

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2010	-61,452	10,190	-43,109	88.2	101.9	140.5	156.3
2011	-38,671	10,180	-45,822	92.4	101.9	91.0	110.8
2012	-62,329	-1,340	49,081	88.0	99.7	94.3	110.7
2013	86,568	130,496	150,797	116.6	124.2	82.1	98.3
2014	157,076	204,626	-32,385	127.3	134.4	107.3	115.1
5-Yr Total	81,193	354,152	78,562	…	…	…	…

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Investments: Invested assets are largely geared toward fixed income securities with approximately 34% of invested assets in common equities. Markel's investment policy emphasizes quality and long-term value in both fixed income and equity investments. The investment mix provides for the preservation of capital through relatively safe and stable investments. The quality of the fixed income portfolio was exceptional, with 99% being investment grade. The fixed income and equity portfolios had market values that were above book values. Investment leverage is elevated as common stocks represented 107% of surplus in 2013 which far exceeds the composite average. However, the equity portfolio is closely managed and well diversified consisting of a number of publicly traded securities in various market sectors.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2010	1.0	…	1.4	65.8	68.2	10.9	3.2	17.1
2011	1.2	…	1.4	71.5	74.1	10.9	3.7	19.0
2012	1.3	…	1.1	98.8	101.3	11.7	5.3	22.2
2013	1.3	…	4.0	111.0	116.3	11.6	3.9	30.6
2014	1.2	…	3.0	116.8	121.0	15.2	4.0	35.7

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg
	0-1	1-5	5-10	10-20	20+	Maturity
Government	4.8	2.1	2.0	0.2	…	3
Gov't Agencies & Muni	22.9	29.1	25.1	8.9	0.9	5
Industrial & Misc	2.0	1.6	…	…	0.4	4
Total	29.7	32.7	27.2	9.1	1.3	5

	2014	2013	2012	2011	2010
Bonds (000)	1,248,760	1,067,111	1,182,019	1,426,919	1,522,719
US Government	3.3	3.4	2.6	5.6	5.9
Foreign Government	3.2	2.7	2.9	2.7	2.7
Foreign - All Other	2.2	3.1	2.4	3.7	4.4
State/Special Revenue - US	89.2	88.4	88.5	83.5	80.0
Industrial & Misc - US	2.0	2.4	3.7	4.5	6.9
Private Issues	…	0.4	0.4	1.3	1.5
Public Issues	100.0	99.6	99.6	98.7	98.5

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	98.3	96.2	95.2	95.5	91.3
Class 2	1.2	3.2	4.2	4.0	8.3
Class 3	0.4	0.5	0.5	0.4	0.1
Class 4	0.1	0.1	0.1	0.1	0.3

INVESTMENTS - EQUITIES

	2014	2013	2012	2011	2010
Stocks (000)	742,370	637,362	561,818	437,185	401,851
Unaffiliated Common	100.0	100.0	100.0	100.0	100.0

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	288,262	294,352	127,115	79,837	125,608
Cash	27.3	40.4	-3.1	-16.1	-2.2
Short-Term	32.5	29.2	45.7	22.4	42.7
Schedule BA Assets	40.1	30.4	57.5	93.7	59.5
All Other	0.0	…	…	…	…

HISTORY

The company was incorporated on August 1, 1977 under the laws of Illinois and began business on December 20, 1977. Evanston Insurance Company is the largest member of the Markel Corporation North America Group of property and casualty insurance companies. The company operates as a surplus lines writer.

In 1994 and 1998, respectively, Evanston Insurance Company transferred its wholly-owned subsidiaries, admitted carriers Markel Insurance Company (formerly known as Insurance Company of Evanston) and Markel American Insurance Company (formerly known as Markel Rhulen Insurance Company), to its parent, Markel Corporation. Through year-end 1993, the three companies together formed the Shand/Evanston Group within the Markel Corporation Group.

Prior to acquiring full ownership in December 1990, Markel Corporation held a minority interest (42.5%) in the Shand/Evanston Group companies through its participation in an investor group, F-M Acquisition Corporation. The latter had acquired the companies in December 1987 from the former owners, Alexander & Alexander, Inc., and two other unrelated companies. When Markel Corporation purchased the remaining 57.5% of F-M Acquisition, it was merged into a newly formed holding company, Shand/Evanston Group, Inc. Effective September 9, 2013, Shand/Evanston Group, Inc. was merged with and into its parent, Markel Corporation and the company became a direct, wholly-owned subsidiary of Markel Corporation. The affiliated Alterra Excess & Surplus Insurance Company was merged into Evanston in December 2015.

MANAGEMENT

All outstanding capital stock is owned by the original sponsor, Markel Corporation, Glen Allen, Virginia, a publicly traded holding company that trades on the NYSE under the ticker symbol "MKL". Operations of the company are conducted by affiliates under a management agreement with Markel Service, Incorporated and a binding authority agreement with Markel West, Inc. Services provided include, but are not limited to, underwriting, management, claims handling, accounting, reinsurance and administration.

Officers: President, Gerard Albanese, Jr.; Senior Vice President, Richard R. Whitt, III; Vice President, Treasurer and Chief Financial Officer, Anne G. Waleski; Vice Presidents, Joanne M. Cichon-Feeney, Nora N. Crouch, Richard R. Grinnan, Bruce A. Kay; Secretary, Kathleen A. Sturgeon; Controller, Robert G. Whitt, III.

Directors: Anne G. Waleski, Mary-Ellen S. Fiske, Gerard Albanese, Jr., Joanne M. Cichon-Feeney, F. Michael Crowley, Britton L. Glisson, Ronald J. Herrig, Bradley J. Kiscaden, Richard R. Whitt, III.

REGULATORY

An examination of the financial condition was made as of December 31, 2010, by the insurance department of Illinois. The 2014 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS, MAAA, KPMG, LLP.

REINSURANCE

The largest net amount insured in any one risk was $11.9 million after affiliated and nonaffiliated reinsurance. The commercial general liability business is written at gross policy limits of up to $25 million with maximum company retention of $7 million. The property business is written at gross policy limits of up to $50 million with various reinsurance arrangements resulting in maximum company retention of $4.9 million per location. Environmental liability business is written at gross policy limits of up to $15 million and maximum company retention of $5 million. The Specialty excess and umbrella business is written at gross policy limits of up to $15 million with maximum company retention of $5.1 million. The company also participates in several intercompany reinsurance arrangements with other affiliated companies.

Markel arranges catastrophe coverage for all property Insurance units within Markel North America including Global Ocean Marine and Global Inland Marine divisions of Markel North America, resulting in higher limits and more cost effective coverage. At May 1, 2014, coverage for wind and earthquake was placed on a traditional basis. The traditional reinsurance coverage is placed 65% of the combined layer of $375 million excess of $100 million and 100% of the layer $225 million excess $375 million. Additionally, a 51% quota share was placed with a maximum $240 million occurrence limit.

The company's principal non-affiliated reinsurers are: Munich Reinsurance America Inc., Odyssey Reinsurance Company, Everest Reinsurance Company, Lloyd's Syndicate 2003, Allied World Insurance Company, SCOR Reinsurance Company, Arch Reinsurance Company, Aspen Insurance UK Limited, XL Reinsurance America Inc. and Endurance Reinsurance Corporation of America.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	'14%	'13%
Bonds	1,248,760	1,067,111	52.0	49.6
Common stock	742,370	637,362	30.9	29.6
Cash & short-term invest	172,491	204,876	7.2	9.5
Other non-affil inv asset	19,270	22,975	0.8	1.1
Investments in affiliates	96,500	66,500	4.0	3.1
Total invested assets	2,279,391	1,998,825	94.9	92.9
Premium balances	75,517	102,383	3.1	4.8
Accrued interest	18,622	16,660	0.8	0.8
All other assets	27,965	34,437	1.2	1.6
Total assets	2,401,495	2,152,305	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	'14%	'13%
Loss & LAE reserves	1,223,850	1,108,285	51.0	51.5
Unearned premiums	329,712	294,874	13.7	13.7
Conditional reserve funds	857	1,457	0.0	0.1
All other liabilities	211,741	173,536	8.8	8.1
Total liabilities	1,766,161	1,578,152	73.5	73.3
Capital & assigned surplus	186,463	186,463	7.8	8.7
Unassigned surplus	448,871	387,691	18.7	18.0
Total policyholders' surplus	635,334	574,153	26.5	26.7
Total liabilities & surplus	2,401,495	2,152,305	100.0	100.0

Best's Rating Report

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	680,463	Premiums collected	733,419
Losses incurred	279,574	Benefit & loss-related pmts	248,516
LAE incurred	70,049		
Undrw expenses incurred	288,640	LAE & undrw expenses paid	327,827
Net underwriting income	42,200	Undrw cash flow	157,076
Net investment income	60,108	Investment income	65,339
Pre-tax oper income	102,308	Pre-tax cash operations	222,415
Realized capital gains	4,784		
Income taxes incurred	26,303	Income taxes pd (recov)	17,789
Net income	80,788	Net oper cash flow	204,626

Ultimate Parent: Markel Corporation

FIRSTCOMP INSURANCE COMPANY

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Ultimate Parent#: 058405 **FEIN#: 43-1429637**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of the Markel North America operations have been extended to FirstComp Insurance Company based on its role and strategic importance to the overall strategy, particularly with respect to providing workers' compensation insurance solutions for Markel customers in rural areas often overlooked by standard market insurers. The ratings also recognize common ownership, common management and the implied support of future parental commitment if and when necessary.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

The ratings reflect Markel North America Insurance Group's (Markel) well-established market position as one of the leading excess and surplus lines organizations in the United States, its historically profitable operating performance, solid risk-adjusted capitalization and ability to attract growth after many years of an extended soft market cycle. These positive attributes are partially offset by the group's elevated underwriting leverage, above average common stock leverage, high expense base and the challenges presented by low new money yields and the prevailing economic conditions.

Markel's specialty orientation and its commitment to profitability remain key attributes. As a writer of specialty admitted and excess and surplus lines insurance, Markel serves a variety of niche markets, specializing in unique hard-to-place risks that are driven by factors often extending beyond price. In addition, the group has established a history of producing excellent operating results over the past decade through adherence to underwriting fundamentals, and very conservative loss reserving practices, which have resulted in consistently favorable accident year loss reserve development. Markel's solid cash flow and equity appreciation via realized capital gains have also proven to be consistent contributors to its strong operating performance. Operating earnings over the long term have provided the financial wherewithal for the group to pay dividends, in spite of the restrictive effect of those payments on surplus appreciation. Traditionally strong operating cash flows have led to the group's adequate liquidity position that is enhanced by the considerable liquidity at the parent company.

The group has historically operated at a higher underwriting leverage position than the surplus lines composite average. Both net premium and liability leverage have exceeded that of the composite, driven by the conservative reserving philosophy and payment of stockholder dividends to maximize financial flexibility at the parent company. Somewhat concerning is Markel's above average common stock leverage, which has long been elevated relative to its composite peers and has continued to increase in recent years. This concern, however, is tempered by the considerable diversification among investments, the company's successful track record and management's long-held investment strategy to protect and build shareholder value. A.M. Best will continue to closely monitor underwriting and investment performance of the group's member companies, and of the group itself, to assure that capital strength remains supportive of the ratings.

Potential upward movement in the ratings could result from improved performance measures and operating conditions as well as sustained, if not improved, risk-adjusted capitalization. Downward movement could result from a material decline in capitalization, negative trends in claim frequency or severity that could materially impair underwriting results, a significant decline in equity capital markets and the possible resulting impact on the company's investment portfolio and capitalization, as well as an unforeseen increase in operating expenses.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	09/07/11	B++
03/21/14	B++	01/05/11	B++
11/13/12	B++		

Best's Rating Report

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	106,091	118,063	-27,533	-17,946	299,240	67,678
2011	101,426	60,705	9,180	8,356	291,219	83,841
2012	93,394	49,692	-2,214	2,823	283,222	90,410
2013	86,872	45,017	16,692	13,967	293,406	115,597
2014	85,835	45,120	12,736	12,098	304,859	133,753

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2010	126.5	2.2	-24.0	63.9	1.7	5.2	129.2	111.6
2011	105.6	2.0	9.9	65.7	0.7	3.2	140.4	107.1
2012	111.9	1.8	-4.3	81.0	0.5	2.7	146.9	83.3
2013	73.5	1.6	36.7	81.3	0.4	1.9	165.0	93.3
2014	81.5	1.5	28.0	72.7	0.3	1.6	178.2	95.0
5-Yr	106.2	1.8	2.5	…	…	…	…	…

(*) Within several financial tables of this report, this company is compared against the Workers' Compensation Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

FirstComp is domiciled in Nebraska and is a wholly owned subsidiary of Markel Aspen, Inc. (Aspen), which in turn is wholly owned by Markel, an international property and casualty insurance holding company headquartered in Glen Allen, Virginia. Markel completed its acquisition of Aspen on October 15, 2010. Post-merger, FirstComp began integration into the Specialty Admitted division and is now fully integrated.

FirstComp writes workers' compensation insurance for small, main street businesses in underserved rural markets. The vast majority of its insureds have less than five employees, and FirstComp requires no minimum premium size. Targeted classes include small retail, child care centers, artisan contractors, landscapers, auto service & repair shops, hotels/motels, and restaurants. The company is licensed in 28 states and business is distributed through a network of over 8,200 agency locations. FirstComp leverages technology to be able to write small accounts profitably. A proprietary, paperless Web-based quoting system, 1stQuote, is utilized for 99% of the company's submissions. The system allows agents to quickly obtain quotes, receive immediate binder confirmations, and communicate with an underwriter via instant messaging. Management's extensive knowledge of the workers' compensation insurance industry enables them to focus on targeted classes of business with favorable loss experience.

FirstComp was also party to two quota share reinsurance agreements with Republic Underwriters Insurance Company to assume a percentage of premiums and losses. One agreement began July 1, 2007, related to policies written in all states except California whereby the company assumed 30% of premiums and losses on these policies. Another agreement began May 1, 2009, related to policies written in the state of California whereby the company assumed 20% of premiums and losses on these policies from May 1, 2009, to June 30, 2010, and began assuming 30% on July 1, 2010. The agreements were terminated as of June 30, 2011. Since being acquired by Markel, the business model now focuses solely on FirstComp and other Markel-owned insurance companies as direct writers.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel is one of the leading writers of surplus lines and specialty admitted business in the United States ranking among the top ten writers of direct, non-admitted (surplus lines) business in the United States annually. The group markets and underwrites specialty insurance products and programs to a variety of niche markets within the surplus lines and specialty admitted segments.

Domestically, Markel is focused on two market divisions: the Excess and Surplus and the Specialty Admitted divisions. Excess and Surplus lines business is written through well-established programs including brokerage property and brokerage casualty; marine; products liability; inland marine; excess and umbrella; public entity; professional liability; miscellaneous errors and omissions coverage and environmental. This business is predominantly generated by wholesale producers. The group also has Specialty Admitted coverage for niches such as camps; day care centers; social services; health and fitness; medical transportation; senior living centers; museums; commercial marine; small business workers' compensation; specialty ranches and farms; and excess flood. Specialty Admitted products are predominantly sold by retail agencies. Selected personal lines coverage is substantially provided direct to policyholders. They include motorcycles, watercraft, yachts; equine mortality; and special events.

All Markel excess and surplus lines products are distributed through regional offices via wholesale producers. Each of the six regional offices, geographically located in the Northeast, Southeast, Midwest, Mid-South and West areas of the U.S., offer the full suite of Markel's wholesale products to their producers. The regional structure was designed to put underwriters closer to producers while aligning the company's resources to be deployed more efficiently throughout the country.

In terms of excess and surplus lines business, Markel's business has been produced primarily through 312 professional surplus lines general agents who have 823 offices nationwide. Approximately 129 have limited quoting and binding authority. This property and casualty business includes special property, railroad, inland marine and ocean marine.

The professional and products liability lines focus on long-tail surplus lines coverage written on a claims-made basis for highly specialized professions with business produced nationally through wholesale brokers. The products that are offered include professional liability for physicians and allied health care providers, professional liability for lawyers, architects and engineers, agents and brokers, electronic data professionals, management consultants, financial advisors, errors and omissions, directors and officers, employment practices liability, and products liability for new business products and technology.

Best's Rating Report

Brokered excess and surplus lines business is comprised of primary casualty, property, excess and umbrella, environmental, transportation, special programs, and casualty facultative reinsurance. Markel produces this business through wholesale brokers and reinsurance brokers.

Markel's Specialty Admitted division is comprised primarily of admitted specialty commercial program package coverage, workers' compensation and specialty personal lines.

The Specialty commercial business focuses on multi-line insurance programs for businesses engaged in similar, but highly specialized activities. Most of the business is produced through approximately 9,800 retail agencies.

In 2010, Markel acquired Aspen Holdings, Inc. (now known as Markel Aspen, Inc.) an insurance group that provides workers' compensation insurance and related services, principally to small businesses. FirstComp Insurance Company (FirstComp), a wholly-owned insurance subsidiary of Markel Aspen, Inc., writes workers' compensation insurance for small, main street businesses in under-served rural markets. Markel Insurance Company began assuming risk and directly writing workers' compensation business beginning in 2010 and Deerfield Insurance Company began directly writing in 2011. Additionally, Evanston Insurance Company began assuming 50% of all direct writings on FirstComp, effective November 1, 2010. This business is produced through approximately 8,200 retail agency locations with varying levels of underwriting authority.

In 2012, Markel acquired Thompson Insurance Enterprises, LLC, (THOMCO), a privately held program administrator underwriting multi-line, industry-focused programs. THOMCO manages 20 national programs for companies in medical transportation, child care, fitness, senior living and other niches. THOMCO is part of the Specialty Admitted division.

The specialty personal lines products are distributed direct to the consumer primarily through limited specialty retailers with some lines through wholesale producers. The business focuses on products with high volume transactions and low average premiums. Coverage is provided for boats and yachts, fishing charters, boat and personal watercraft rental operations, motorcycles and all-terrain vehicles, higher valued bicycles, non-standard property, special events and short-term medical.

In January 2013, Markel acquired Essentia Insurance Company, which will continue to underwrite insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency throughout the United States. Hagerty is a leading insurance provider for classic vehicles. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles. Hagerty remains a privately-owned, family business.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (% Chg)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (% Chg)
2010	106,091	-4.3	44,940	24.1	32,969	-21.4
2011	101,426	-4.4	20,458	-54.5	61,179	85.6
2012	93,394	-7.9	4,688	-77.1	48,389	-20.9
2013	86,872	-7.0	3,256	-30.5	45,111	-6.8
2014	85,835	-1.2	3,653	12.2	44,367	-1.6
5-Yr CAGR	...	-5.0	...	-36.8	...	1.1

Period Ending	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
2010	118,063	12.3	114,872	22.9
2011	60,705	-48.6	92,486	-19.5
2012	49,692	-18.1	50,993	-44.9
2013	45,017	-9.4	45,457	-10.9
2014	45,120	0.2	45,495	0.1
5-Yr CAGR	...	-15.6	...	-13.4

Territory: The company is licensed in AZ, AR, CO, CT, GA, HI, ID, IN, IA, KS, MA, MN, MS, MO, NE, NV, NH, NM, NC, OK, OR, PA, RI, SC, SD, TN, VA and WV.

2014 BY-LINE BUSINESS ($000)

Product Line	DPW ($000)	DPW (%)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (%)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (%)
Workers' Comp	85,835	100.0	3,653	100.0	44,367	100.0
Total	85,835	100.0	3,653	100.0	44,367	100.0

Product Line	NPW ($000)	NPW (%)	Business Retention (%)
Workers' Comp	45,120	100.0	50.4
Total	45,120	100.0	50.4

BY-LINE RESERVES ($000)

Product Line	2014	2013	2012	2011	2010
Workers' Comp	126,641	136,336	155,581	168,219	161,225
Total	126,641	136,336	155,581	168,219	161,225

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2014	2013	2012	2011	2010
Missouri	14,721	13,465	12,791	12,721	12,117
Arkansas	13,588	13,468	12,927	12,387	12,192
Nebraska	9,695	9,888	8,832	8,479	9,799
Pennsylvania	7,319	6,925	7,642	8,740	8,122
Iowa	5,800	5,963	7,643	7,792	7,844
Indiana	5,071	5,253	4,999	4,654	4,371
South Carolina	3,649	3,953	3,445	2,674	2,368
Mississippi	3,625	3,773	4,238	4,576	5,479
Tennessee	3,401	3,884	5,354	7,316	7,132
New Hampshire	3,262	3,380	3,558	3,694	3,605
All Other	15,704	16,922	21,965	28,392	33,062
Total	85,835	86,872	93,394	101,426	106,091

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel's Enterprise Risk Management (ERM) processes continue to evolve as refinements are introduced to provide an integrated view of the company's risks and to enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements includes a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Operating Results: The group has generated considerable net income annually over the last five years. Operating earnings over this time frame have been driven by Markel's underwriting income combined with the solid performance of the group's high-quality investment portfolio that produces substantial and consistent net investment income. Both underwriting income and investment income have contributed to the group's annual pretax operating income. Up until 2011, very competitive market conditions on surplus lines and specialty business led directly to declining written and earned premium levels, and somewhat limited underwriting profitability. Markel has long maintained a sizable portfolio of securities that have long been highly rated and are integral to the group's buy-and-hold investment philosophy.

The group's historical production of underwriting income has largely been attributable to its niche underwriting expertise, proven risk management techniques and the rate and form flexibility afforded within the surplus lines market as well as the favorable development of reserves from prior accident years. Strong operating cash flows have helped build the group's invested asset base and continue to enhance net investment income. The group's five-year pretax return on revenue trails that of the surplus lines composite; however, Markel's total return on surplus for the period exceeds the composite average.

Absent significant reserve increases or extraordinary event-driven losses, A.M. Best expects the group to reap the benefits of its effective underwriting platform. The group is also expected to capitalize on the long-term relationships with its multi-dimensional distribution platform to help foster revenue and overall earnings prospects for Markel in 2015 and beyond.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2010	-27,533	-19,561	-17,946	-17,334
2011	9,180	8,236	8,356	10,154
2012	-2,214	616	2,823	6,135
2013	16,692	12,405	13,967	27,371
2014	12,736	9,999	12,098	18,729
5-Yr Total	8,862	11,695	19,298	45,054

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2010	-24.0	-28.7	122.6	4.8	7.5	94.4
2011	9.9	13.4	100.6	1.9	1.7	97.8
2012	-4.3	7.0	103.6	6.4	7.6	92.8
2013	36.7	26.6	64.7	9.4	10.6	76.5
2014	28.0	15.0	72.9	10.1	8.1	88.3
5-Yr Avg	2.5	10.0	100.1	6.9	7.2	89.4

Underwriting Results: Markel has posted net underwriting profits in each of the last ten years, with the exception being 2012 (Superstorm Sandy). From a combined ratio perspective, Markel continues to post better than average underwriting results, as exemplified by its five and ten-year key underwriting measures which are on par with the averages of the highly profitable surplus lines composite. Given its specialty orientation, the group has employed underwriting and pricing strategies developed from a base of considerable knowledge within these select divisions that have proven effective over the long term. Highly favorable loss reserve development in recent accident years has also boosted calendar year underwriting results. The group's historical profitability has also been minimally impacted by reserve increases on outstanding asbestos and environmental (A&E) reserves. These reserve

increases are largely indicative of management's conservative philosophy to establish reserves that prove to be more likely redundant than deficient. A majority of reserve increases are in the group's incurred but not reported (IBNR) reserves.

Recent initiatives have caused an increase in underwriting expenses, however systems improvements have helped mitigate some of those increased costs and are expected to continue generating expense efficiencies over the medium to long term. As mentioned previously, the underwriting loss posted in 2012, the single year in the last decade that produced an underwriting loss, was driven primarily by Superstorm Sandy as well as a lower take down of prior accident year reserves, which included some development on A&E reserves. Absent significant catastrophe activity or further A&E reserve strengthening, A.M. Best expects Markel to sustain its underwriting profitability via adherence to proven risk selection, underwriting and pricing strategies despite the challenges of a competitive surplus lines and specialty admitted market.

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income ($000)	Loss Ratios: Pure Loss	Loss Ratios: LAE	Loss Ratios: Loss & LAE	Expense Ratios: Net Comm.	Expense Ratios: Other Exp.	Expense Ratios: Total Exp.	Div. Pol.	Comb. Ratio	Ind Comb. Ratio
2010	-31,455	74.3	20.1	94.3	14.2	18.0	32.2	...	126.5	119.7
2011	4,431	66.2	9.1	75.3	-13.5	43.8	30.3	...	105.6	120.5
2012	-5,636	64.2	13.7	77.9	-13.5	47.5	34.0	...	111.9	113.3
2013	12,174	38.5	2.4	40.9	-8.3	40.9	32.6	...	73.5	92.8
2014	8,521	35.0	15.8	50.8	-10.9	41.3	30.4	0.3	81.5	103.1
5-Yr Total/Avg	-11,966	60.9	13.4	74.3	-2.1	34.1	31.9	...	106.2	108.8

BY-LINE LOSS RATIO

Product Line	2014	2013	2012	2011	2010	5-Yr Avg
Workers' Comp	35.0	38.5	64.7	66.1	74.3	61.0
Total	35.0	38.5	64.7	66.1	74.3	61.0

DIRECT LOSS RATIO BY STATE

	2014	2013	2012	2011	2010	5-Yr Avg
Missouri	48.9	49.0	52.5	60.6	73.4	56.6
Arkansas	28.9	38.9	78.3	88.9	31.1	53.0
Nebraska	29.0	26.7	53.9	55.0	81.5	49.7
Pennsylvania	21.9	21.4	55.6	-8.4	75.1	33.2
Iowa	45.3	37.3	49.3	54.3	57.0	49.3
Indiana	75.4	56.3	54.2	160.0	97.3	87.7
South Carolina	26.7	26.8	71.8	121.1	-6.1	45.8
Mississippi	-4.0	119.3	119.1	94.1	83.1	85.0
Tennessee	21.6	48.5	73.6	77.8	68.0	63.5
New Hampshire	32.3	51.2	66.2	27.4	45.0	44.2
All Other	21.2	45.9	54.2	55.0	64.4	51.5
Total	32.5	44.0	62.3	63.0	63.9	54.3

Investment Results: Markel continues to employ an investment philosophy emphasizing total return over the long term, in conjunction with a focus on the preservation of capital. Ensuring consistent application of developed strategies, the group's invested assets are managed internally by a group of investment professionals whose track record for investment income generation has been very good over the long-term. While the group's five-year net investment yield slightly trails the average posted by the surplus lines composite, its total return on invested assets outpaces the composite average, driven by realized investment gains. Results have improved since 2008 due to improved capital market conditions, and planned changes de-emphasizing corporate bonds and increasing investments in municipal and treasury securities. A.M. Best expects the group to maintain a position of above average investment leverage, due to its significant portfolio of equity securities.

Historically, the group's investment yield has been somewhat depressed by its substantial investment in common equities and the fact that a significant proportion of its high-quality bond portfolio is invested in tax-exempt municipal government agency securities. Operating cash flow has historically been solid, helping growth in invested assets, and leading to bolstered net investment income.

INVESTMENT GAINS ($000)

Year	Company: Net Inv Income	Company: Realized Capital Gains	Company: Unrealized Capital Gains
2010	4,469	1,615	612
2011	4,676	120	1,799
2012	4,224	2,207	3,312
2013	4,003	1,562	13,404
2014	3,932	2,099	6,631
5-Yr Total	21,304	7,602	25,757

Year	Company: Inv Inc Growth (%)	Company: Inv Yield (%)	Company: Return on Inv Assets (%)	Company: Pre-tax Invest Total Return (%)	Industry Composite: Inv Inc Growth (%)	Industry Composite: Inv Yield (%)
2010	-26.3	2.2	3.0	3.8	-2.2	3.9
2011	4.6	2.0	2.1	3.7	-9.0	3.6
2012	-9.7	1.8	2.8	5.4	-2.0	3.5
2013	-5.2	1.6	2.3	11.0	-12.4	2.9
2014	-1.8	1.5	2.4	6.7	4.8	2.9
5-Yr Avg	-9.1	1.8	2.5	6.2	-4.4	3.4

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Capitalization: The group's capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is supportive of the current rating. The strong capital position is maintained despite the payment of dividends annually to parent company Markel Corporation to enhance financial flexibility and increase company liquidity. The group's capital base during the most recent calendar year increased by almost 11%, following a 15% increase the year prior, driven by net income and unrealized capital gains, which more than offset dividends paid to the parent. Capital contributions, including additional capital provided via distributions made by Markel International, helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan.

Historically, growth in the group's surplus had been driven by strong, consistent underwriting and investment earnings. In addition, realized, and in some years unrealized gains, had supplemented the organic capital generation. A.M. Best expects the parent company to continue to receive dividends from its profitable insurance subsidiaries. The acquisition of the Alterra entities should help spread dividend requirements to include these newest subsidiaries. The expectation of continued strong operating earnings should enable the group to strengthen its surplus base. Additionally, the parent company maintains solid financial flexibility and has also shown the ability to access the capital markets over the years.

While the group's capitalization remains supportive of the current rating, it still has elevated net underwriting leverage compared to the composite average. Despite considerable operating earnings, underwriting leverage measures increased marginally in recent years before moderating slightly during the past two years. Growth in premium has resulted from the recent acquisitions and for some select classes and lines of coverage, more favorable rates. A.M. Best has long believed that Markel maintains an appreciable amount of equity embedded in its loss reserves. Unpaid loss and loss adjustment expense reserves have been maintained at levels consistently above the independent actuary's best estimate and continue to yield considerable economic value. These conservative reserving practices are primarily responsible for the group's elevated liability leverage, which also contributes to the elevated underwriting leverage. Reserves related to asbestos and environmental (A&E) exposures have accounted for a small amount of adverse prior year development.

Current BCAR: 209.5

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	-27,533	1,615	-7,972	612
2011	9,180	120	944	1,799
2012	-2,214	2,207	-2,830	3,312
2013	16,692	1,562	4,287	13,404
2014	12,736	2,099	2,736	6,631
5-Yr Total	8,862	7,602	-2,833	25,757

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	31,494	510	14,669	27.7
2011	...	6,009	16,163	23.9
2012	...	434	6,569	7.8
2013	...	-2,184	25,187	27.9
2014	...	-573	18,156	15.7
5-Yr Total	31,494	4,197	80,744	20.3

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	68,934	-1,256
2011	...	...	72,872	10,969
2012	...	...	66,798	23,612
2013	...	...	66,798	48,799
2014	...	...	66,798	66,955

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	67,678	...	67,678
2011	83,841	...	83,841
2012	90,410	...	90,410
2013	115,597	...	115,597
2014	133,753	...	133,753

LEVERAGE ANALYSIS

	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2010	1.7	2.4	5.2	6.4	0.5	2.0	2.8	3.3
2011	0.7	2.0	3.2	3.5	0.5	2.0	2.9	3.4
2012	0.5	1.7	2.7	3.0	0.5	1.8	2.8	3.3
2013	0.4	1.2	1.9	2.2	0.5	1.7	2.6	3.1
2014	0.3	0.9	1.6	1.8	0.5	1.7	2.7	3.2

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)
2010	85,200	78.2	90.4	125.9	70.5	41.2	50.8
2011	29,443	49.8	29.6	35.1	69.3	40.8	51.0
2012	27,636	50.7	26.3	30.6	65.9	38.1	49.7
2013	26,007	49.9	19.8	22.5	65.7	34.3	45.7
2014	22,612	50.4	14.7	16.9	67.9	35.9	49.3

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates....................	28,973	38,395	16,786	...	84,154
Foreign Affiliates.............	369	69	...	...	438
US Insurers	7,131	11,151	984	...	19,266
Total (ex US Affils)	7,500	11,220	984	...	19,704
Grand Total....................	36,473	49,615	17,770	...	103,858

* Includes Commissions less Funds Withheld

Loss Reserves: Loss reserve trends of recent years have indicated favorable accident year loss reserve development across nearly all classes of business. Adverse development has been experienced on asbestos and environmental losses relating to an increase in severity on claims reported, primarily concerning environmental-related claims; however, this has had a relatively minimal impact on overall reserves. Generally, the group has experienced significant redundancies on its loss reserves in recent accident years in the professional liability, casualty, and commercial multiple peril classes of business.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/14	Unpaid Res. to Develop. (%)
2009	107,056	123,353	15.2	30.7	132.0	37,921	30.7
2010	145,386	144,788	-0.4	-0.9	126.0	55,322	38.2
2011	152,889	147,671	-3.4	-6.2	159.7	74,631	50.5
2012	141,766	128,430	-9.4	-14.8	251.9	83,283	64.8
2013	125,811	118,908	-5.5	-6.0	261.6	94,922	79.8
2014	116,466	116,466	...	...	256.0	116,466	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Unpaid Reserves @12/14	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2009	42,311	43,691	3.3	8,161	72.7	101.9
2010	60,866	60,355	-0.8	17,401	74.8	107.0
2011	53,060	47,134	-11.2	19,309	70.3	100.6
2012	27,760	20,595	-25.8	8,652	62.4	96.4
2013	23,515	19,554	-16.8	11,639	62.1	94.8
2014	21,544	21,544	...	21,544	66.1	96.8

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Liquidity: Underwriting and operating cash flow have historically allowed the group to maintain current and overall liquidity measures that were modestly below the composite average. Substantial historical cash and invested assets at the parent-only level and proven access to the debt and equity capital markets, serve to further enhance Markel's overall liquidity position. Underwriting and operating cash flows have improved considerably during the past two calendar years, driven by increased premium volume. In 2013, ultimate parent Markel Corporation exercised the accordion on its existing $150 million revolving credit facility to $300 million, in addition to substantial increases in available limits at credit facilities totaling nearly $1 billion via the Alterra acquisition.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2010	53.1	99.3	129.2	21.4	38.9	122.9	141.4	4.9
2011	69.6	114.1	140.4	6.8	38.1	124.0	141.1	5.5
2012	68.5	123.2	146.9	7.9	37.8	124.4	142.6	6.1
2013	93.4	143.2	165.0	4.6	35.9	126.7	145.5	6.5
2014	92.7	154.0	178.2	9.2	35.6	127.6	145.5	6.2

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2010	4,591	12,066	25,802	104.5	111.6	80.1	101.3
2011	-5,527	6,277	8,016	93.8	107.1	83.9	104.0
2012	-17,623	-12,001	-19,155	75.2	83.3	88.0	107.4
2013	-9,444	-3,463	9,045	81.8	93.3	101.0	113.1
2014	-4,098	-2,489	-14,948	91.0	95.0	119.2	123.4
5-Yr Total	-32,101	390	8,761	...	...	...	...

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Investments: Invested assets are largely geared toward fixed income securities with approximately 34% of invested assets in common equities. Markel's investment policy emphasizes quality and long-term value in both fixed income and equity investments. The investment mix provides for the preservation of capital through relatively safe and stable investments. The quality of the fixed income portfolio was exceptional, with 99% being investment grade. The fixed income and equity portfolios had market values that were above book values. Investment leverage is elevated as common stocks represented 107% of surplus in 2013 which far exceeds the composite average. However, the equity portfolio is closely managed and well diversified consisting of a number of publicly traded securities in various market sectors.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2010	...	...	...	63.9	63.9	...	...	22.9
2011	...	...	...	65.7	65.7	...	...	23.3
2012	...	...	...	81.0	81.0	...	...	25.5
2013	...	...	...	81.3	81.3	...	...	30.0
2014	...	...	...	72.7	72.7	...	...	31.7

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg
	0-1	1-5	5-10	10-20	20+	Maturity
Government	11.2	2.1	0.8	0.8	...	2
Gov't Agencies & Muni	29.6	20.2	25.5	7.0	...	5
Industrial & Misc	1.9	1.0	0.0	0.0	0.0	2
Total	42.6	23.4	26.3	7.7	0.0	4

	2014	2013	2012	2011	2010
Bonds (000)	115,117	94,620	107,283	105,271	118,506
US Government	5.7	3.5	4.7	5.7	4.6
Foreign - All Other	1.5	1.9	1.7	...	...
State/Special Revenue - US	90.2	91.3	90.4	92.6	92.0
Industrial & Misc - US	2.7	3.4	3.2	1.7	3.4
Private Issues	0.0	0.0	0.1	0.1	0.1
Public Issues	100.0	100.0	99.9	99.9	99.9

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	97.8	97.1	98.7	99.4	99.8
Class 2	2.2	2.9	1.3	0.6	0.2

INVESTMENTS - EQUITIES

	2014	2013	2012	2011	2010
Stocks (000)	97,210	93,990	73,206	55,116	43,278
Unaffiliated Common	100.0	100.0	100.0	100.0	100.0

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	49,727	64,674	55,630	74,784	66,768
Cash	30.7	41.3	-2.4	-2.5	1.7
Short-Term	69.3	58.7	102.4	102.5	98.3

HISTORY

The company was incorporated as the American First Insurance Company under the laws of Missouri on December 17, 1986, and began business on December 26, 1986. To avoid a potential name conflict, the name was changed in 1987 to Financial American Insurance Company. The company's name was changed to FirstComp Insurance Company when the company redomesticated from Missouri to Nebraska, effective March 11, 1997.

MANAGEMENT

All outstanding shares of common stock are held by Markel Aspen, Inc. (formerly Aspen Holdings, Inc.), which purchased the company on March 13, 1997. Prior to the purchase, the company was a wholly owned subsidiary of First American Insurance Company, a Missouri-based property/casualty insurer, which in turn was a wholly owned subsidiary of First American Financial Corporation. All of the outstanding capital stock of Markel Aspen, Inc. is owned by Markel Corporation, Glen Allen, Virginia, a publicly traded holding company that trades on the NYSE under ticker symbol "MKL".

Operations of the company are conducted by affiliates under a management agreement with Markel Service, Incorporated and a binding authority agreement with Markel West, Inc. Services provided include, but are not limited to, underwriting, management, claims handling, accounting, reinsurance and administration.

Officers: Chairman of the Board, F. Michael Crowley; President, Chad C. Bertucci; Vice President and Chief Financial Officer, Anne G. Waleski; Vice President and Secretary, Richard R. Grinnan; Treasurer, April L. Duff.

Directors: Gerard Albanese, Jr., Chad C. Bertucci, Brian J. Costanzo, F. Michael Crowley, Britton L. Glisson, Anne G. Waleski, Richard R. Whitt III.

REGULATORY

An examination of the financial condition was made as of December 31, 2010, by the insurance department of Nebraska. The 2014 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS. MAAA, KPMG, LLP.

REINSURANCE

The largest net amount insured on any single risk is $1 million.

The company entered into a 50% quota share reinsurance agreement with an affiliate Evanston Insurance Company, for all business written after November 1, 2010, net of third party reinsurance. Excess of loss reinsurance coverage is purchased from third parties to cover occurrences in excess of $2 million up to a $60 million aggregate limit.

The company's principal non-affiliated reinsurers are: Safety National Casualty Corporation, Technology Insurance Company, Inc., Odyssey Reinsurance Company, Munich Reinsurance America, Inc., Axis Reinsurance Company, Lloyd's Syndicate 2003, Tokio Millennium Re Ltd., Allied World Reinsurance Company, Arch Reinsurance Company, and Lloyd's Syndicate 4472.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	'14%	'13%
Bonds	115,117	94,620	37.8	32.2
Common stock	97,210	93,990	31.9	32.0
Cash & short-term invest	49,727	64,674	16.3	22.0
Total invested assets	262,054	253,284	86.0	86.3
Premium balances	30,817	26,793	10.1	9.1
Accrued interest	1,415	1,390	0.5	0.5
All other assets	10,574	11,940	3.5	4.1
Total assets	304,859	293,406	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	'14%	'13%
Loss & LAE reserves	126,641	136,336	41.5	46.5
Unearned premiums	19,075	19,449	6.3	6.6
All other liabilities	25,391	22,024	8.3	7.5
Total liabilities	171,106	177,809	56.1	60.6
Capital & assigned surplus	66,798	66,798	21.9	22.8
Unassigned surplus	66,955	48,799	22.0	16.6
Total policyholders' surplus	133,753	115,597	43.9	39.4
Total liabilities & surplus	304,859	293,406	100.0	100.0

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	45,495	Premiums collected	41,378
Losses incurred	15,935	Benefit & loss-related pmts	24,263
LAE incurred	7,180		
Undrw expenses incurred	13,716	LAE & undrw expenses paid	21,214
Div to policyholders	142	Div to policyholders	...
Net underwriting income	8,521	Undrw cash flow	-4,098
Net investment income	3,932	Investment income	5,298
Other income/expense	282	Other income/expense	282
Pre-tax oper income	12,736	Pre-tax cash operations	1,481
Realized capital gains	2,099		
Income taxes incurred	2,736	Income taxes pd (recov)	3,970
Net income	12,098	Net oper cash flow	-2,489

Ultimate Parent: Markel Corporation

MARKEL AMERICAN INSURANCE COMPANY

4521 Highwoods Parkway, Glen Allen, VA 23060-6148
Web: www.markelcorp.com
Tel: 804-747-0136 Fax: 804-527-7905
AMB#: 000602 NAIC#: 28932
Ultimate Parent#: 058405 FEIN#: 54-1398877

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of the Markel North America operations have been extended to Markel American Insurance Company based on its role and strategic importance to the overall strategy, particularly with respect to providing highly specialized insurance solutions for its customers in need of admitted insurance. The ratings also recognize common ownership, common management and the implied support of future parental commitment if and when necessary.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

The ratings reflect Markel North America Insurance Group's (Markel) well-established market position as one of the leading excess and surplus lines organizations in the United States, its historically profitable operating performance, solid risk-adjusted capitalization and ability to attract growth after many years of an extended soft market cycle. These positive attributes are partially offset by the group's elevated underwriting leverage, above average common stock leverage, high expense base and the challenges presented by low new money yields and the prevailing economic conditions.

Markel's specialty orientation and its commitment to profitability remain key attributes. As a writer of specialty admitted and excess and surplus lines insurance, Markel serves a variety of niche markets, specializing in unique hard-to-place risks that are driven by factors often extending beyond price. In addition, the group has established a history of producing excellent operating results over the past decade through adherence to underwriting fundamentals, and very conservative loss reserving practices, which have resulted in consistently favorable accident year loss reserve development. Markel's solid cash flow and equity appreciation via realized capital gains have also proven to be consistent contributors to its strong operating performance. Operating earnings over the long term have provided the financial wherewithal for the group to pay dividends, in spite of the restrictive effect of those payments on surplus appreciation. Traditionally strong operating cash flows have led to the group's adequate liquidity position that is enhanced by the considerable liquidity at the parent company.

The group has historically operated at a higher underwriting leverage position than the surplus lines composite average. Both net premium and liability leverage have exceeded that of the composite, driven by the conservative reserving philosophy and payment of stockholder dividends to maximize financial flexibility at the parent company. Somewhat concerning is Markel's above average common stock leverage, which has long been elevated relative to its composite peers and has continued to increase in recent years. This concern, however, is tempered by the considerable diversification among investments, the company's successful track record and management's long-held investment strategy to protect and build shareholder value. A.M. Best will continue to closely monitor underwriting and investment performance of the group's member companies, and of the group itself, to assure that capital strength remains supportive of the ratings.

Potential upward movement in the ratings could result from improved performance measures and operating conditions as well as sustained, if not improved, risk-adjusted capitalization. Downward movement could result from a material decline in capitalization, negative trends in claim frequency or severity that could materially impair underwriting results, a significant decline in equity capital markets and the possible resulting impact on the company's investment portfolio and capitalization, as well as an unforeseen increase in operating expenses.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	09/07/11	A
03/21/14	A	07/20/10	A
11/13/12	A		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	128,571	133,324	9,036	9,210	497,164	128,714
2011	131,908	113,438	35,068	29,334	448,805	132,914
2012	140,741	109,517	19,806	20,529	422,023	111,179
2013	145,011	119,113	26,135	29,369	441,098	135,792
2014	148,781	131,590	7,434	26,681	323,706	137,541

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2010	105.4	3.4	6.5	64.5	1.0	3.8	135.0	104.2
2011	82.2	3.5	30.5	59.5	0.9	3.2	142.2	98.4
2012	94.1	3.4	17.8	92.5	1.0	3.8	135.8	92.9
2013	83.4	2.6	23.1	80.9	0.9	3.1	144.5	116.0
2014	95.3	2.2	6.3	67.5	1.0	2.3	173.9	77.1
5-Yr	92.5	3.0	16.3	…	…	…	…	…

(*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

Markel American Insurance Company is an admitted insurer and underwrites specialty personal lines and commercial marine coverage for power sports products (motorcycles, personal watercraft, etc.) and insurance products and programs. Significant areas of underwriting include ocean marine, inland marine, professional and products liability and property.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel is one of the leading writers of surplus lines and specialty admitted business in the United States ranking among the top ten writers of direct, non-admitted (surplus lines) business in the United States annually. The group markets and underwrites specialty insurance products and programs to a variety of niche markets within the surplus lines and specialty admitted segments.

Domestically, Markel is focused on two market divisions: the Excess and Surplus and the Specialty Admitted divisions. Excess and Surplus lines business is written through well-established programs including brokerage property and brokerage casualty; marine; products liability; inland marine; excess and umbrella; public entity; professional liability; miscellaneous errors and omissions coverage and environmental. This business is predominantly generated by wholesale producers. The group also has Specialty Admitted coverage for niches such as camps; day care centers; social services; health and fitness; medical transportation; senior living centers; museums; commercial marine; small business workers' compensation; specialty ranches and farms; and excess flood. Specialty Admitted products are predominantly sold by retail agencies. Selected personal lines coverage is substantially provided direct to policyholders. They include motorcycles, watercraft, yachts; equine mortality; and special events.

All Markel excess and surplus lines products are distributed through regional offices via wholesale producers. Each of the six regional offices, geographically located in the Northeast, Southeast, Midwest, Mid-South and West areas of the U.S., offer the full suite of Markel's wholesale products to their producers. The regional structure was designed to put underwriters closer to producers while aligning the company's resources to be deployed more efficiently throughout the country.

In terms of excess and surplus lines business, Markel's business has been produced primarily through 312 professional surplus lines general agents who have 823 offices nationwide. Approximately 129 have limited quoting and binding authority. This property and casualty business includes special property, railroad, inland marine and ocean marine.

The professional and products liability lines focus on long-tail surplus lines coverage written on a claims-made basis for highly specialized professions with business produced nationally through wholesale brokers. The products that are offered include professional liability for physicians and allied health care providers, professional liability for lawyers, architects and engineers, agents and brokers, electronic data professionals, management consultants, financial advisors, errors and omissions, directors and officers, employment practices liability, and products liability for new business products and technology.

Brokered excess and surplus lines business is comprised of primary casualty, property, excess and umbrella, environmental, transportation, special programs, and casualty facultative reinsurance. Markel produces this business through wholesale brokers and reinsurance brokers.

Markel's Specialty Admitted division is comprised primarily of admitted specialty commercial program package coverage, workers' compensation and specialty personal lines.

The Specialty commercial business focuses on multi-line insurance programs for businesses engaged in similar, but highly specialized activities. Most of the business is produced through approximately 9,800 retail agencies.

In 2010, Markel acquired Aspen Holdings, Inc. (now known as Markel Aspen, Inc.) an insurance group that provides workers' compensation insurance and related services, principally to small businesses. FirstComp Insurance Company (FirstComp), a wholly-owned insurance subsidiary of Markel Aspen, Inc., writes workers' compensation insurance for small, main street businesses in under-served rural markets. Markel Insurance Company began assuming risk and directly writing workers' compensation business beginning in 2010 and Deerfield Insurance Company began directly writing in 2011. Additionally, Evanston Insurance Company began assuming 50% of all direct writings on FirstComp, effective November 1, 2010. This business is produced through approximately 8,200 retail agency locations with varying levels of underwriting authority.

In 2012, Markel acquired Thompson Insurance Enterprises, LLC, (THOMCO), a privately held program administrator underwriting multi-line, industry-focused programs. THOMCO manages 20 national programs for companies in medical transportation, child care, fitness, senior living and other niches. THOMCO is part of the Specialty Admitted division.

The specialty personal lines products are distributed direct to the consumer primarily through limited specialty retailers with some lines through wholesale producers. The business focuses on products with high volume transactions and low average premiums. Coverage is provided for boats and yachts, fishing charters, boat and personal watercraft rental operations, motorcycles and all-terrain vehicles, higher valued bicycles, non-standard property, special events and short-term medical.

In January 2013, Markel acquired Essentia Insurance Company, which will continue to underwrite insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency throughout the United States. Hagerty is a leading insurance provider for classic vehicles. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles. Hagerty remains a privately-owned, family business.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Ending	($000)	(% Chg)	($000)	(% Chg)	($000)	(% Chg)
2010	128,571	-7.0	108,291	-15.5	103,537	-6.4
2011	131,908	2.6	89,655	-17.2	108,125	4.4
2012	140,741	6.7	86,624	-3.4	117,848	9.0
2013	145,011	3.0	92,283	6.5	118,181	0.3
2014	148,781	2.6	...	-99.9	17,191	-85.5
5-Yr CAGR	...	1.5	...	-99.9	...	-31.1

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2010	133,324	-14.4	139,054	-17.4
2011	113,438	-14.9	114,972	-17.3
2012	109,517	-3.5	111,012	-3.4
2013	119,113	8.8	113,188	2.0
2014	131,590	10.5	118,207	4.4
5-Yr CAGR	...	-3.3	...	-6.8

Territory: The company is licensed in the District of Columbia, Puerto Rico and all states.

2014 BY-LINE BUSINESS ($000)

	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Product Line	($000)	(%)	($000)	(%)	($000)	(%)
Ocean Marine	53,360	35.9	...	...	4,418	25.7
Oth Liab CM	36,161	24.3	...	...	5,226	30.4
Oth Liab Occur	16,993	11.4	...	...	4,170	24.3
Homeowners	13,041	8.8	...	...	810	4.7
Inland Marine	7,652	5.1	...	...	726	4.2
Auto Physical	5,559	3.7	...	...	293	1.7
Priv Pass Auto Liab	4,976	3.3	...	...	...	...
Com'l MultiPeril	6,269	4.2	...	...	1,370	8.0
All Other	4,771	3.2	...	...	178	1.0
Total	148,781	100.0	...	...	17,191	100.0

Product Line	NPW ($000)	NPW (%)	Business Retention (%)
Ocean Marine	48,941	37.2	91.7
Oth Liab CM	30,935	23.5	85.5
Oth Liab Occur	12,823	9.7	75.5
Homeowners	12,231	9.3	93.8
Inland Marine	6,926	5.3	90.5
Auto Physical	5,266	4.0	94.7
Priv Pass Auto Liab	4,976	3.8	100.0
Com'l MultiPeril	4,899	3.7	78.1
All Other	4,593	3.5	95.3
Total	131,590	100.0	88.4

BY-LINE RESERVES ($000)

Product Line	2014	2013	2012	2011	2010
Ocean Marine	29,773	8,998	8,738	6,639	5,327
Oth Liab CM	36,315	55,709	50,284	52,891	67,384
Oth Liab Occur	16,949	63,862	78,262	87,431	96,289
Homeowners	5,054	1,684	1,542	479	403
Inland Marine	795	313	369	155	46
Auto Physical	943	306	524	1,099	253
Priv Pass Auto Liab	5,437	1,493	1,639	1,337	1,945
Com'l MultiPeril	651	1,892	2,655	3,329	4,900
All Other	4,822	73,391	73,075	78,543	90,426
Total	100,740	207,649	217,088	231,902	266,973

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2014	2013	2012	2011	2010
California	25,246	22,841	22,181	16,763	15,223
New York	16,488	14,745	6,942	5,828	5,940
Florida	11,162	11,865	12,150	10,777	12,042
Texas	10,544	9,771	10,056	8,672	9,394
Louisiana	4,447	5,928	6,163	7,682	10,494
South Carolina	4,152	4,159	4,060	3,906	3,969
Michigan	3,979	4,059	3,867	3,415	3,070
Washington	3,918	3,669	3,890	4,436	4,466
Maryland	3,556	3,330	3,787	3,241	2,909
Kentucky	3,279	3,240	3,151	3,072	2,985
All Other	62,011	61,403	64,495	64,116	58,079
Total	148,781	145,011	140,741	131,908	128,571

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel's Enterprise Risk Management (ERM) processes continue to evolve as refinements are introduced to provide an integrated view of the company's risks and to enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements includes a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Operating Results: The group has generated considerable net income annually over the last five years. Operating earnings over this time frame have been driven by Markel's underwriting income combined with the solid performance of the group's high-quality investment portfolio that produces substantial and consistent net investment income. Both underwriting income and investment income have contributed to the group's annual pretax operating income. Up until 2011, very competitive market conditions on surplus lines and specialty business led directly to declining written and earned premium levels, and somewhat limited underwriting profitability. Markel has long maintained a sizable portfolio of securities that have long been highly rated and are integral to the group's buy-and-hold investment philosophy.

The group's historical production of underwriting income has largely been attributable to its niche underwriting expertise, proven risk management techniques and the rate and form flexibility afforded within the surplus lines market as well as the favorable development of reserves from prior accident years. Strong operating cash flows have helped build the group's invested asset base and continue to enhance net investment income. The group's five-year pretax return on revenue trails that of the surplus lines composite; however, Markel's total return on surplus for the period exceeds the composite average.

Absent significant reserve increases or extraordinary event-driven losses, A.M. Best expects the group to reap the benefits of its effective underwriting platform. The group is also expected to capitalize on the long-term relationships with its multi-dimensional distribution platform to help foster revenue and overall earnings prospects for Markel in 2015 and beyond.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2010	9,036	9,381	9,210	16,953
2011	35,068	28,009	29,334	28,291
2012	19,806	16,971	20,529	29,279
2013	26,135	19,941	29,369	42,627
2014	7,434	11,541	26,681	27,815
5-Yr Total	97,479	85,843	115,123	144,965

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2010	6.5	14.2	95.4	11.8	9.2	87.5
2011	30.5	21.6	70.1	8.3	6.0	91.6
2012	17.8	24.0	82.7	9.2	8.3	90.0
2013	23.1	34.5	74.8	17.6	13.4	82.6
2014	6.3	20.4	89.2	14.7	11.6	85.2
5-Yr Avg	16.3	22.9	82.9	12.4	9.8	87.3

Underwriting Results: Markel has posted net underwriting profits in each of the last ten years, with the exception being 2012 (Superstorm Sandy). From a combined ratio perspective, Markel continues to post better than average underwriting results, as exemplified by its five and ten-year key underwriting measures which are on par with the averages of the highly profitable surplus lines composite. Given its specialty orientation, the group has employed underwriting and pricing strategies developed from a base of considerable knowledge within these select divisions that have proven effective over the long term. Highly favorable loss reserve development in recent accident years has also boosted calendar year underwriting results. The group's historical profitability has also been minimally impacted by reserve increases on outstanding asbestos and environmental (A&E) reserves. These reserve increases are largely indicative of management's conservative philosophy to establish reserves that prove to be more likely redundant than deficient. A majority of reserve increases are in the group's incurred but not reported (IBNR) reserves.

Recent initiatives have caused an increase in underwriting expenses, however systems improvements have helped mitigate some of those increased costs and are expected to continue generating expense efficiencies over the medium to long term. As mentioned previously, the underwriting loss posted in 2012, the single year in the last decade that produced an underwriting loss, was driven primarily by Superstorm Sandy as well as a lower take down of prior accident year reserves, which included some development on A&E reserves. Absent significant catastrophe activity or further A&E reserve strengthening, A.M. Best expects Markel to sustain its underwriting profitability via adherence to proven risk selection, underwriting and pricing strategies despite the challenges of a competitive surplus lines and specialty admitted market.

UNDERWRITING EXPERIENCE

		Loss Ratios			Expense Ratios					Ind
Period Ending	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio	Comb. Ratio
2010	-4,828	49.3	9.8	59.0	34.1	12.3	46.4	...	105.4	104.3
2011	21,155	31.2	8.4	39.6	18.9	23.7	42.6	...	82.2	107.1
2012	7,218	41.9	8.7	50.7	23.4	20.0	43.4	...	94.1	104.6
2013	16,421	41.2	2.6	43.8	19.3	20.4	39.6	...	83.4	98.0
2014	142	45.2	10.0	55.3	16.4	23.7	40.1	...	95.3	98.7
5-Yr Total/Avg	40,109	42.1	8.0	50.1	22.6	19.9	42.4	...	92.5	102.4

BY-LINE LOSS RATIO

Product Line	2014	2013	2012	2011	2010	5-Yr Avg
Ocean Marine	40.4	41.8	73.6	54.4	30.7	44.8
Oth Liab CM	45.8	53.4	39.9	26.7	71.5	47.9
Oth Liab Occur	51.3	12.1	28.3	4.3	21.0	19.8
Homeowners	45.9	40.9	95.2	57.3	53.9	52.9
Inland Marine	42.5	44.7	70.7	95.8	-99.9	6.5
Auto Physical	65.2	44.4	41.0	92.3	55.0	61.8
Priv Pass Auto Liab	62.9	48.0	69.3	21.7	37.7	51.0
Com'l MultiPeril	31.4	-99.9	-99.9	93.6	162.3	31.0
All Other	41.8	46.1	38.6	35.3	56.6	45.4
Total	45.2	41.2	41.9	31.2	49.3	42.1

DIRECT LOSS RATIO BY STATE

	2014	2013	2012	2011	2010	5-Yr Avg
California	49.7	23.8	47.3	10.6	79.1	41.6
New York	49.4	35.7	179.0	18.5	29.4	58.7
Florida	40.7	54.4	35.2	34.2	37.0	40.3
Texas	28.1	28.8	40.8	35.5	33.7	33.3
Louisiana	44.5	8.2	56.2	42.6	1.5	28.8
South Carolina	80.7	50.8	60.9	51.1	41.5	57.2
Michigan	33.2	16.5	43.2	29.8	8.8	26.8
Washington	40.9	24.9	30.4	28.1	38.9	32.8
Maryland	41.5	9.4	40.5	13.9	30.3	27.4
Kentucky	46.3	33.6	101.9	43.6	70.0	59.0
All Other	36.3	31.2	49.7	52.8	53.4	44.7
Total	41.3	30.8	54.4	39.9	46.2	42.5

Investment Results: Markel continues to employ an investment philosophy emphasizing total return over the long term, in conjunction with a focus on the preservation of capital. Ensuring consistent application of developed strategies, the group's invested assets are managed internally by a group of investment professionals whose track record for investment income generation has been very good over the long-term. While the group's five-year net investment yield slightly trails the average posted by the surplus lines composite, its total return on invested assets outpaces the composite average, driven by realized investment gains. Results have improved since 2008 due to improved capital market conditions, and planned changes de-emphasizing corporate bonds and increasing investments in municipal and treasury securities. A.M. Best expects the group to maintain a position of above average investment leverage, due to its significant portfolio of equity securities.

Historically, the group's investment yield has been somewhat depressed by its substantial investment in common equities and the fact that a significant proportion of its high-quality bond portfolio is invested in tax-exempt municipal government agency securities. Operating cash flow has historically been solid, helping growth in invested assets, and leading to bolstered net investment income.

INVESTMENT GAINS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2010	13,864	-171	7,743
2011	13,912	1,326	-1,044
2012	12,588	3,558	8,751
2013	9,714	9,429	13,258
2014	7,292	15,139	1,135
5-Yr Total	57,370	29,280	29,842

	Company				Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2010	28.5	3.4	3.3	6.1	0.7	4.4
2011	0.3	3.5	3.8	3.5	-3.2	4.3
2012	-9.5	3.4	4.3	8.3	-2.4	4.1
2013	-22.8	2.6	5.2	11.6	6.5	4.2
2014	-24.9	2.2	6.8	9.0	-10.2	3.7
5-Yr Avg	-5.7	3.0	4.6	7.6	-1.8	4.2

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Capitalization: The group's capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is supportive of the current rating. The strong capital position is maintained despite the payment of dividends annually to parent company Markel Corporation to enhance financial flexibility and increase company liquidity. The group's capital base during the most recent calendar year increased by almost 11%, following a 15% increase the year prior, driven by net income and unrealized capital gains, which more than offset dividends paid to the parent. Capital contributions, including additional capital provided via distributions made by Markel International, helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan.

Historically, growth in the group's surplus had been driven by strong, consistent underwriting and investment earnings. In addition, realized, and in some years unrealized gains, had supplemented the organic capital generation. A.M. Best expects the parent company to continue to receive dividends from its profitable insurance subsidiaries. The acquisition of the Alterra entities should help spread dividend requirements to include these newest subsidiaries. The expectation of continued strong operating earnings should enable the group to strengthen its surplus base. Additionally, the parent company maintains solid financial flexibility and has also shown the ability to access the capital markets over the years.

While the group's capitalization remains supportive of the current rating, it still has elevated net underwriting leverage compared to the composite average. Despite considerable operating earnings, underwriting leverage measures increased marginally in recent years before moderating slightly during the past two years. Growth in premium has resulted from the recent acquisitions and for some select classes and lines of coverage, more favorable rates. A.M. Best has long believed that Markel maintains an appreciable amount of equity embedded in its loss reserves. Unpaid loss and loss adjustment expense reserves have been maintained at levels consistently above the independent actuary's best estimate and continue to yield considerable economic value. These conservative reserving practices are primarily responsible for the group's elevated liability leverage, which also contributes to the elevated underwriting leverage. Reserves related to asbestos and environmental (A&E) exposures have accounted for a small amount of adverse prior year development.

Current BCAR: 209.5

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	9,036	-171	-345	7,743
2011	35,068	1,326	7,059	-1,044
2012	19,806	3,558	2,835	8,751
2013	26,135	9,429	6,194	13,258
2014	7,434	15,139	-4,107	1,135
5-Yr Total	97,479	29,280	11,636	29,842

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	...	2,417	19,370	17.7
2011	-20,000	-4,090	4,200	3.3
2012	-50,000	-1,015	-21,735	-16.4
2013	-16,971	-1,043	24,613	22.1
2014	-19,941	-6,126	1,749	1.3
5-Yr Total	-106,912	-9,857	28,197	4.7

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QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	49,514	79,200
2011	...	...	48,129	84,785
2012	...	...	46,542	64,636
2013	...	...	46,542	89,249
2014	...	...	46,542	90,998

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	128,714	115	128,829
2011	132,914	259	133,173
2012	111,179	12	111,191
2013	135,792	1	135,793
2014	137,541	72	137,612

LEVERAGE ANALYSIS

	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2010	1.0	2.1	3.8	4.0	0.7	1.4	2.7	3.5
2011	0.9	1.7	3.2	3.4	0.7	1.4	2.8	3.7
2012	1.0	2.0	3.8	4.3	0.7	1.4	2.8	3.6
2013	0.9	1.5	3.1	3.3	0.7	1.3	2.8	3.5
2014	1.0	0.7	2.3	2.6	0.7	1.3	2.7	3.5

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)
2010	36,588	96.2	24.4	28.4	77.9	57.0	79.4
2011	23,418	86.0	12.2	17.6	78.2	58.6	83.3
2012	56,815	77.8	35.8	51.1	79.9	57.7	82.2
2013	33,241	82.1	15.9	24.5	79.5	53.1	76.5
2014	39,405	88.4	17.6	28.6	77.8	50.7	74.4

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	10,393	21,009	323	...	31,725
US Insurers	4,589	10,228	6,513	-66	21,264
Other Non-US	837	1,046	1,003	...	2,886
Total (ex US Affils)	5,426	11,274	7,516	-66	24,150
Grand Total	15,819	32,283	7,839	-66	55,875

* Includes Commissions less Funds Withheld

Loss Reserves: Loss reserve trends of recent years have indicated favorable accident year loss reserve development across nearly all classes of business. Adverse development has been experienced on asbestos and environmental losses relating to an increase in severity on claims reported, primarily concerning environmental-related claims; however, this has had a relatively minimal impact on overall reserves. Generally, the group has experienced significant redundancies on its loss reserves in recent accident years in the professional liability, casualty, and commercial multiple peril classes of business.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/14	Unpaid Res. to Develop. (%)
2009	247,003	171,507	-30.6	-69.0	101.9	6,662	3.9
2010	246,410	188,623	-23.5	-44.9	135.6	8,695	4.6
2011	211,950	175,619	-17.1	-27.3	152.7	11,032	6.3
2012	199,758	173,146	-13.3	-23.9	156.0	19,972	11.5
2013	189,833	185,187	-2.4	-3.4	163.6	43,411	23.4
2014	89,784	89,784	...	...	76.0	89,784	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Unpaid Reserves @12/14	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2009	80,663	60,430	-25.1	915	56.4	101.0
2010	68,099	63,705	-6.5	2,033	70.7	117.1
2011	58,870	48,421	-17.7	2,337	58.2	100.8
2012	56,616	47,649	-15.8	8,940	60.5	103.9
2013	59,371	56,838	-4.3	23,439	62.8	102.4
2014	46,373	46,373	...	46,373	62.4	102.4

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Liquidity: Underwriting and operating cash flow have historically allowed the group to maintain current and overall liquidity measures that were modestly below the composite average. Substantial historical cash and invested assets at the parent-only level and proven access to the debt and equity capital markets, serve to further enhance Markel's overall liquidity position. Underwriting and operating cash flows have improved considerably during the past two calendar years, driven by increased premium volume. In 2013, ultimate parent Markel Corporation exercised the accordion on its existing $150 million revolving credit facility to $300 million, in addition to substantial increases in available limits at credit facilities totaling nearly $1 billion via the Alterra acquisition.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2010	32.1	115.9	135.0	21.2	22.4	106.9	148.3	8.8
2011	35.9	123.9	142.2	17.0	21.1	105.8	146.6	10.0
2012	41.7	119.0	135.8	31.8	23.0	104.6	147.0	10.9
2013	71.3	126.4	144.5	24.4	24.6	107.4	148.2	10.6
2014	90.6	158.5	173.9	15.3	24.8	107.5	148.9	10.3

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2010	-4,715	6,420	-36,095	96.8	104.2	96.8	109.4
2011	-10,520	-2,177	-17,183	91.7	98.4	96.7	108.5
2012	-20,689	-8,793	16,336	82.9	92.9	99.8	113.4
2013	12,576	18,406	58,145	111.6	116.0	102.6	115.0
2014	-43,524	-38,599	-21,992	73.5	77.1	104.2	115.4
5-Yr Total	-66,871	-24,744	-790	…	…	…	…

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Investments: Invested assets are largely geared toward fixed income securities with approximately 34% of invested assets in common equities. Markel's investment policy emphasizes quality and long-term value in both fixed income and equity investments. The investment mix provides for the preservation of capital through relatively safe and stable investments. The quality of the fixed income portfolio was exceptional, with 99% being investment grade. The fixed income and equity portfolios had market values that were above book values. Investment leverage is elevated as common stocks represented 107% of surplus in 2013 which far exceeds the composite average. However, the equity portfolio is closely managed and well diversified consisting of a number of publicly traded securities in various market sectors.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2010	0.8	…	…	63.7	64.5	…	5.4	9.8
2011	0.8	…	…	58.7	59.5	…	5.6	10.0
2012	0.9	…	…	91.6	92.5	…	6.1	10.7
2013	…	…	…	80.9	80.9	…	…	14.9
2014	0.8	…	…	66.7	67.5	…	6.9	16.3

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					
	0-1	1-5	5-10	10-20	20+	Yrs-Avg Maturity
Government	13.8	2.9	2.0	3.0	…	4
Gov't Agencies & Muni	26.1	28.3	17.0	1.1	…	3
Industrial & Misc	2.6	3.1	…	…	…	2
Total	42.5	34.3	19.0	4.2	…	3

	2014	2013	2012	2011	2010
Bonds (000)	143,954	193,880	243,592	304,800	318,662
US Government	11.1	4.8	2.3	5.9	6.1
Foreign Government	…	…	…	5.0	5.1
Foreign - All Other	2.2	2.6	2.1	3.9	4.3
State/Special Revenue - US	83.8	90.3	93.8	82.3	79.7
Industrial & Misc - US	3.0	2.3	1.8	2.9	4.7
Private Issues	…	0.7	0.8	0.6	0.6
Public Issues	100.0	99.3	99.2	99.4	99.4

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	97.9	97.0	95.4	97.1	94.7
Class 2	1.5	3.0	4.3	2.6	5.0
Class 4	0.5	…	…	0.3	0.3
Class 5	…	…	0.4	…	…

INVESTMENTS - EQUITIES

	2014	2013	2012	2011	2010
Stocks (000)	91,730	109,906	101,858	77,996	82,035
Unaffiliated Common	100.0	100.0	100.0	100.0	100.0

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	57,319	79,311	21,166	4,831	22,014
Cash	1.1	11.2	0.2	16.3	4.5
Short-Term	98.9	88.8	99.8	83.7	95.5

HISTORY

The company was incorporated under the laws of Virginia on October 15, 1986 as Markel American Insurance Company and commenced business on February 27, 1987. On March 10, 1992, the name was changed to Markel Rhulen Insurance Company. The company reverted back to its original title on August 23, 1994. In 1998, Evanston Insurance Company transferred the company to its parent, Markel Corporation.

MANAGEMENT

All outstanding capital stock is owned by the original sponsor, Markel Corporation, Glen Allen, Virginia, a publicly traded holding company that trades on the NYSE under the ticker symbol “MKL”. Operations of the company are conducted by affiliates under a management agreement with Markel Service, Incorporated and a binding authority agreement with Markel West, Inc. Services provided include, but are not limited to, underwriting, management, claims handling, accounting, reinsurance and administration.

Officers: Chairman of the Board and President, F. Michael Crowley; Senior Vice Presidents, Audrey J. Hanken, Richard R. Whitt, III; Vice President and Secretary, Richard R. Grinnan; Vice President, Treasurer and Chief Financial Officer, Anne G. Waleski; Vice Presidents, Deidre D. Balbuena, Joanne M. Cichon-Feeney, Nora N. Crouch, Bruce A. Kay, Robin Russo; Controller, Robert G. Whitt III.

Directors: Gerard Albanese, Jr., F. Michael Crowley, Britton L. Glisson, Anne G. Waleski, Richard R. Whitt III.

REGULATORY

An examination of the financial condition was made as of December 31, 2010, by the insurance department of Virginia. The 2014 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS, MAAA, KPMG, LLP.

REINSURANCE

The largest net amount insured in any one risk is approximately $2.2 million after affiliated and nonaffiliated reinsurance. Ocean marine business has reinsurance coverage of $20 million per occurrence above a $5 million net retention. The Personal Lines has reinsurance coverage of $40 million per occurrence above a $7.5 million net retention. Additionally, a 50% quota share was placed with a provisional $67,900,000 occurrence limit.

Markel arranges catastrophe coverage for all property Insurance units within Markel North America including Global Ocean Marine and Global Inland Marine divisions of Markel North America, resulting in higher limits and more cost effective coverage. At May 1, 2014, coverage for wind and earthquake was placed on a traditional. The traditional reinsurance coverage is placed 65% of the combined layer of $375 million excess of $100 million and 100% of the layer $225 million excess $375 million. Additionally, a 51% quota share was placed with a maximum $240 million occurrence limit.

The company’s principal non-affiliated reinsurers are: Allied World Insurance Company, Endurance Reinsurance Corporation of America, Everest Reinsurance Company, Munich Reinsurance American, Inc., Odyssey Reinsurance Company, Aspen Insurance UK Limited, Lloyd’s Syndicate 2003, and Berkley Insurance Company.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	’14%	’13%
Bonds	143,954	193,880	44.5	44.0
Common stock	91,730	109,906	28.3	24.9
Cash & short-term invest	57,319	79,311	17.7	18.0
Total invested assets	293,002	383,098	90.5	86.9
Premium balances	21,753	33,483	6.7	7.6
Accrued interest	1,912	2,708	0.6	0.6
All other assets	7,039	21,808	2.2	4.9
Total assets	323,706	441,098	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	’14%	’13%
Loss & LAE reserves	100,740	207,649	31.1	47.1
Unearned premiums	60,398	52,727	18.7	12.0
Conditional reserve funds	72	1	0.0	0.0
All other liabilities	24,956	44,928	7.7	10.2
Total liabilities	186,165	305,306	57.5	69.2
Capital & assigned surplus	46,542	46,542	14.4	10.6
Unassigned surplus	90,998	89,249	28.1	20.2
Total policyholders’ surplus	137,541	135,792	42.5	30.8
Total liabilities & surplus	323,706	441,098	100.0	100.0

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	118,207	Premiums collected	121,024
Losses incurred	53,479	Benefit & loss-related pmts	74,882
LAE incurred	11,867		
Undrw expenses incurred	52,719	LAE & undrw expenses paid	89,666
Net underwriting income	142	Undrw cash flow	-43,524
Net investment income	7,292	Investment income	9,206
Pre-tax oper income	7,434	Pre-tax cash operations	-34,317
Realized capital gains	15,139		
Income taxes incurred	-4,107	Income taxes pd (recov)	4,282
Net income	26,681	Net oper cash flow	-38,599

Best's Rating Report

Operating Company Composite
Ultimate Parent: Markel Corporation

MARKEL BERMUDA LIMITED

Markel House, 2 Front Street, Hamilton HM 11, Bermuda
Web: www.markelcorp.com

Tel.: 441-296-8800 **Fax: 441-296-8811**
AMB#: 087119 **AIIN#: AA-3190829**
Ultimate Parent#: 058405

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: In May of 2013, Alterra Capital Holdings Limited (Alterra) was acquired by Markel Corporation (Markel) and has since been undergoing the integration process into Markel. Both Alterra and Markel are specialty-focused underwriters.

The ratings of Markel Bermuda (formerly Alterra Bermuda) reflect its solid financial performance and strong risk-adjusted capitalization. Markel Bermuda's platforms and operations in major global underwriting markets also provide broad diversification as well as additional flexibility in optimizing its underwriting portfolio composition. Over the longer term, A.M. Best expects that being part of Markel will result in enhanced earnings prospects over time while leveraging existing business relationships. In addition, further operational efficiencies are anticipated.

Partially offsetting these positive rating attributes are the very competitive prevailing market conditions in the reinsurance market; the effects of the prolonged soft market in U.S. casualty classes, which represents a significant portion of Markel Bermuda's portfolio; and the challenging investment climate that places increased pressure on underwriting profitability.

The ratings of Markel Bermuda take into consideration the future benefits expected of the integration into the Markel organization. Some of the immediate benefits gained in terms of enhanced scale, the Markel brand, distribution platform and its leadership position in the surplus lines marketplace in the United States should further manifest themselves, gradually, in terms of the impact on the company's bottom line. While no rating enhancement is afforded to Markel Bermuda at this time, it remains possible that rating enhancement will be realized over the near term as Markel Bermuda's results reflect the impact of the aforementioned benefits. The ratings also consider no material changes to Markel Bermuda's business profile, capitalization, and performance as well as intercompany reinsurance.

Factors that could lead to a rating upgrade or a positive revision of the outlooks include continued favorable operating profitability coupled with maintenance of a strong risk-adjusted capital level, and/or additional explicit or implicit support from Markel that materially enhances the company's capital position. Alternatively, factors that could lead to a rating downgrade and/or revised outlooks to negative include unfavorable operating profitability trends, outsized catastrophe or investment losses relative to peers, significant adverse loss reserve development or a material decline in its risk-adjusted capital.

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	06/20/12	A
03/21/14	A	08/05/11	A
08/09/13	A	09/07/10	A

RATING UNIT MEMBERS

Markel Bermuda Limited (AMB# 087119):

AMB#	COMPANY	BEST'S FSR
002061	Alterra America Insurance Co	A
013819	Markel Global Reinsurance Company	A

BUSINESS PROFILE

Markel Bermuda is the Bermuda-based operating unit of Alterra. Alterra was a publicly traded company on the NASDAQ exchange prior to being acquired by Markel on May 1, 2013. Alterra was formed as a result of the amalgamation between Max Capital Group Ltd. (Max) and Harbor Point Limited in May 2010. The holding company and all of the subsidiaries were rebranded with the Alterra name. The integration of Alterra's operations into Markel has been a focus since the acquisition and has essentially been completed. Through Alterra's operating subsidiaries, traditional reinsurance and insurance of both long-tailed and short-tailed liabilities are provided. Affiliated operating companies distribute products for the group in the U.S., Europe, Canada, Japan, Latin America, Australia and New Zealand.

Underwriting operations provide a diversified and balanced mix of short-tail and long-tail insurance and reinsurance capacity. Covered risks include the (re)insurance of general casualty, professional lines, workers' compensation, accident and health, medical malpractice, property, agriculture, aviation, credit/surety, and marine and energy.

The Reinsurance segment products are offered on both excess of loss and quota share basis, and are generally written on market terms where the company participates alongside other reinsurers. Whole account coverage is underwritten with a focus on casualty risk exposures.

The U.S. Insurance lines segment (via Alterra Excess & Surplus Insurance Company) provides access to the U.S. excess and surplus lines market with coverage in property, casualty, marine, umbrella and excess liability to the middle market. In June 2008, Alterra America Insurance Company was acquired. This company offers the same type of coverage but on an admitted basis.

In November 2008, Imagine Group (UK) Limited (Imagine Lloyd's), a Lloyd's insurance operation, was acquired by Max from Imagine Insurance Company Limited. It had been rebranded as Alterra at Lloyd's Limited to form the Lloyd's segment and through Lloyd's Syndicate 1400 offers a diverse portfolio of specialty risks, which includes accident and health, agriculture, aviation, international casualty, financial institutions, marine, professional indemnity, property, employers' and public liability, and surety. The Lloyd's syndicates complement underwriting operations in Bermuda, Ireland and the U.S.

RISK MANAGEMENT

Markel Corporation's Enterprise Risk Management (ERM) processes continue to evolve as refinements provide an integrated view of the company's risks and enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements is the establishment of a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

Regulatory and Accounting Environment: Insurance companies in Bermuda are licensed and supervised by the Bermuda Monetary Authority under the Bermuda Insurance Act. Companies may be local companies licensed to conduct business in Bermuda (must be at least 60% owned by Bermudians), or exempted companies incorporated in Bermuda for non-domestic business, where overseas investors may have 100% ownership. In Bermuda, there are no taxes on profits, income, dividends or capital gains. There is only a licensing fee, which is dependent upon the level of authorized capital. The government had granted the company a tax exemption until March 31, 2035. With that stated, being that Markel is a U.S. domiciled company, as of May 1, 2013, Alterra and Markel Bermuda have elected to pay U.S. taxes going forward.

The Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin or enhanced capital requirement, whichever is greater. The minimum solvency margin for a Class 4 insurer such as Alterra is the greatest of $100 million, 50% of net premiums written or 15% of loss and loss expense provisions and other insurance reserves. The enhanced capital requirement is determined by reference to a standardized statutory risk-based capital model used to measure the risk associated with Markel Bermuda's assets, liabilities and premiums.

OPERATING PERFORMANCE

Operating Results: The combined ratio has been relatively stable and profitable over the five-year period; however, overall operating performance has experienced some volatility. Results in 2014 represented an improvement over the prior year specifically in terms of the company's loss and combined ratios. The company's pretax income was also almost double what it generated in 2013 although on a net basis, a tax benefit in 2013 helped generate net income that surpassed what Markel Bermuda produced in 2014. Results in 2013 were materially impacted by the Markel acquisition and Markel's approach to reserve setting. Since the acquisition, Markel Bermuda has eliminated its hedge fund holdings and will gradually adopt an allocation that is in line with Markel's investment strategy. The current investment posture coupled with the financial market rebound in 2009, has aided in strengthening the balance sheet.

Since the amalgamation that formed Alterra in 2010, to the acquisition in 2013, operating performance has been relatively steady. In 2011, losses from global catastrophes were on the lower side relative to peers, which A.M. Best expected given its risk profile. However, it is also worth noting that the losses from the global catastrophes, including the Japanese and New Zealand earthquakes and flooding in Thailand were within its stated risk tolerance, which reflected the effectiveness of its catastrophe risk management. Net operating income for 2012 improved in comparison to 2011, primarily due to the significant decline in property catastrophe losses. Operating income for 2012 was, however, adversely impacted by the recording of a valuation allowance related to deferred tax asset of the US operating subsidiary and a decline in investment income due to lower investment yields on new investment purchases.

BALANCE SHEET STRENGTH

Capitalization: Markel Bermuda's risk-adjusted capitalization remains supportive of its ratings and commensurate with its business profile per A.M. Best's risk-based capital model. Following the amalgamation of Max Capital Group Ltd. and Harbor Point Limited in 2010, shareholders' equity for the consolidated organization was roughly $3 billion. Although the acquired subsidiaries have been integrated into the operating and organizational structure of Markel, it is still possible that the capital within certain operating subsidiaries may be right sized to reflect their future business positions within the group. Capital contributions, including additional capital provided via distributions made by Markel International, have helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan and A.M. Best believes that same willingness remains if and when it would be deemed strategically beneficial.

Liquidity: Historically, the vast majority of fixed income securities have been held in highly liquid and highly rated investments. Investment in fixed income securities are generally used to fund insurance reserves and related claim payments. The company's quick and current liquidity measures remain solid.

Investments: Markel Bermuda's investment portfolio allocation is similar to that of most Bermuda market companies, which A.M. Best views as relatively conservative. As part of the current integration with Markel, the investment strategy has changed somewhat with the focus on better optimization of the total asset portfolio of the larger organization. As such, the company's allocation to equity securities increased by more than four times from the end of 2013 to the end of 2014. The increase in the value of the equity portfolio was essentially equivalent to the decrease in the value of the fixed income portfolio.

Summarized Accounts as of December 31, 2014

Data reflected within all tables of this report has been compiled from the consolidated financial statements of this company (Source: Company Financial Statement).

An independent audit of the company's affairs through December 31, 2014, was conducted by KPMG Audit Limited.

ASSETS

	12/31/2014 USD(000)	12/31/2014 % of total	12/31/2013 USD(000)
Cash and equivalents	539,002	6.7	761,532
Long term fixed maturity investments	4,239,471	53.1	4,672,300
Equity investments	534,917	6.7	123,194
Short term investments	231,109	2.9	104,999
Other investments	151,250	1.9	21,080
Trading account securities	54,728	0.7	44,283
Invested assets	5,211,475	65.2	4,965,856
Receivables	912,180	11.4	970,673
Reinsurance recoverable	883,111	11.1	956,832
Deferred policy acquisition cost	81,897	1.0	108,253
Other assets	363,930	4.6	540,933
Total assets	7,991,595	100.0	8,304,079

LIABILITIES & SURPLUS

	12/31/2014 USD(000)	12/31/2014 % of total	12/31/2013 USD(000)
Life / Health reserves	1,297,063	16.2	1,372,478
Property / Casualty reserves	3,637,672	45.5	3,917,401
Unearned premium reserves	636,829	8.0	735,213
Total policy reserves	5,571,564	69.7	6,025,092
Other liabilities	261,949	3.3	363,742
Total liabilities	5,833,513	73.0	6,388,834
Equity - common stock	58,829	0.7	58,829
Paid-in capital	1,347,948	16.9	1,347,948
Accumulated other comprehensive income	304,432	3.8	171,996
Retained earnings	446,873	5.6	336,472
Total equity	2,158,082	27.0	1,915,245
Total liabilities & equity	7,991,595	100.0	8,304,079

STATEMENT OF INCOME

	12/31/2014 USD(000)	12/31/2013 USD(000)
Direct premiums written	306,463	376,481
Reins assumed	930,616	1,089,569
Gross premiums written	1,237,079	1,466,050
Reins ceded	423,842	487,532
Net premiums written	813,237	978,518
Change in unearned premiums	-18,891	-18,040
Net premiums earned	832,128	996,558
Net investment income	149,527	145,729
Net realized gains/(losses)	33,995	59,365
Other revenue	...	1,442
Total revenue	1,015,650	1,203,094
Benefits & reserves	580,668	814,138
Operating expenses	270,109	300,531
Total benefits & expenses	850,777	1,114,669
Earnings before interest & taxes (EBIT)	164,873	88,425
Interest expense	-20	4,498
Pre-tax income/(loss) from continuing operations	164,893	83,927
Total taxes	54,492	-165,845
Net income/(loss) before minority interest	110,401	249,772
Net income/(loss) from continuing operations	110,401	249,772
Net income/(loss)	110,401	249,772

STATEMENT OF CHANGES IN EQUITY

	12/31/2014 USD(000)	12/31/2013 USD(000)
Common shares, beginning balance	58,829	58,829
Common shares, ending balance	58,829	58,829
Paid-in capital - Beg bal	1,347,948	1,343,472
Paid-in capital - other	...	4,476
Paid-in capital - End bal	1,347,948	1,347,948
AOCI - beginning balance	171,996	218,857
AOCI - change in unrealized gains/losses on investments	131,700	-45,776
AOCI - foreign currency adjustments	736	-1,085
AOCI - ending balance	304,432	171,996
Retained earnings, beginning balance	336,472	486,700
Retained earnings, net income	110,401	249,772
Retained earnings, common dividends	...	400,000
Retained earnings, ending balance	446,873	336,472
Total shareholder equity	2,158,082	1,915,245

STATEMENT OF CASH FLOWS

	12/31/2014 USD(000)	12/31/2013 USD(000)
Net cash provided/(used) in operating activities	27,685	131,612
Net cash provided/(used) in investment activities	-212,212	645,288
Net cash provided/(used) in financing activities	-12,232	-536,309
Effect of exchange rates on cash	-11,356	-701
Total increase (decrease) in cash	-208,115	239,890
Cash, beginning balance	420,363	180,473
Cash, ending balance	212,248	420,363

HISTORY

Markel Bermuda became a wholly owned subsidiary of the Markel Corporation (Markel) effective May 1, 2013, when Alterra was merged into a direct, wholly owned subsidiary of Markel. Alterra was formed as a result of the amalgamation of Max Capital Group Limited and Harbor Point Limited that took place in May 2010. Max Capital Group Ltd.'s origins date back to 1999 when it was formed as Maximus Capital Holdings Limited on July 8, 1999. Since then, the name has changed several times, including after the 2010 amalgamation, as the holding company has been rebranded. Markel Bermuda operates as an insurance company under Bermuda Law and is registered as a Class 4 insurer and Class C long-term insurer.

MANAGEMENT

Officers: President, Richard R. Whitt III; Chief Financial Officer, Anne G. Waleski; Executive Vice Presidents, Britton L. Glisson, Jed Rhoads; Vice President and Controller, David F. Shead; Vice Presidents, Steven E. Leitz, Steven P. Letak; Secretary, Codan Services Limited; Treasurer, April Duff; Chief Accounting Officer, Robert G. Whitt.

Directors: Gerard Albanese, Jr., F. Michael Crowley, David F. Shead, Richard R. Whitt III.

REINSURANCE

The group provides reinsurance coverage to third party insurance and reinsurance companies and also purchases reinsurance protection for its insurance and reinsurance operations.

On an internal basis, Markel Bermuda provides reinsurance coverage to its operating affiliates in the U.S. and Europe through respective quota share agreements.

Markel arranges catastrophe coverage for all property Insurance units within Markel North America including Global Ocean Marine and Global Inland Marine divisions of Markel North America, resulting in higher limits and more cost effective coverage. At May 1, 2014, coverage for wind and earthquake was placed on a traditional basis. The traditional reinsurance coverage is placed 65% of the combined layer of $375 million excess of $100 million and 100% of the layer $225 million excess $375 million. Additionally, a 51% quota share was placed with a maximum $240 million occurrence limit.

BALANCE SHEET ITEMS

	USD (000) 2014	USD (000) 2013	USD (000) 2012	USD (000) 2011	USD (000) 2010
Invested assets	5,211,475	4,965,856	5,965,615	5,715,792	5,845,215
Total assets	7,991,595	8,304,079	8,312,583	8,083,772	8,307,072
Total liabilities	5,833,513	6,388,834	6,204,725	5,795,502	5,775,213
Total equity	2,158,082	1,915,245	2,107,858	2,288,270	2,531,859
Total capital	2,158,082	1,915,245	2,107,858	2,288,270	2,531,859

INCOME STATEMENT ITEMS

	USD (000) 2014	USD (000) 2013	USD (000) 2012	USD (000) 2011	USD (000) 2010
Gross premiums written	1,237,079	1,466,050	1,445,375	1,425,999	1,137,261
Net premiums written	813,237	978,518	983,474	1,102,374	867,469
Net investment income	149,527	145,729	183,919	202,140	196,750
Net realized gains/(losses)	33,995	59,365	39,085	-44,896	28,263
Net income/(loss)	110,401	249,772	201,431	131,583	261,060

LIQUIDITY RATIOS (%)

	2014	2013	2012	2011	2010
Total investments to total reserves	103.2	95.1	109.9	116.1	120.5
Liquid assets to total liabilities	95.1	88.6	93.3	103.2	105.2
Total investments to total liabilities	98.6	89.7	101.1	107.9	111.8
Bonds to total reserves	76.1	77.6	96.0	100.9	102.1

PROFITABILITY RATIOS (%)

	2014	2013	2012	2011	2010
Loss ratio	69.8	81.7	71.4	68.4	62.1
Expense ratio	32.4	30.2	30.0	32.3	32.9
Combined ratio	102.2	111.9	101.4	100.8	95.0
Investment income ratio	18.0	14.6	17.5	17.7	19.5
Return on assets	1.4	3.0	2.5	1.6	3.5
Return on revenues	13.3	25.1	19.2	11.5	25.9
Return on equity	5.4	12.4	9.2	5.5	12.9

LEVERAGE & DEBT RATIOS (%)

	2014	2013	2012	2011	2010
Net premiums written to equity	37.7	51.1	46.7	48.2	34.3
Cash flow coverage (x)	-99.9	29.3	28.9	1.1	20.8
Interest coverage (x)	-99.9	6.5	20.5	11.6	17.9
Cash and equivalents to total assets	9.6	10.4	3.7	6.7	7.3

Ultimate Parent: Markel Corporation

MARKEL INSURANCE COMPANY

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Web: www.markelcorp.com

Tel: 804-747-0136 | Fax: 804-527-7905
AMB#: 002699 | NAIC#: 38970
Ultimate Parent#: 058405 | FEIN#: 36-3101262

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of the Markel North America operations have been extended to Markel Insurance Company based on its role and strategic importance to the overall strategy, particularly with respect to providing highly specialized insurance solutions for its customers in need of admitted insurance. The ratings also recognize common ownership, common management as well as the explicit and implied support of future parental commitment if and when necessary.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

The ratings reflect Markel North America Insurance Group's (Markel) well-established market position as one of the leading excess and surplus lines organizations in the United States, its historically profitable operating performance, solid risk-adjusted capitalization and ability to attract growth after many years of an extended soft market cycle. These positive attributes are partially offset by the group's elevated underwriting leverage, above average common stock leverage, high expense base and the challenges presented by low new money yields and the prevailing economic conditions.

Markel's specialty orientation and its commitment to profitability remain key attributes. As a writer of specialty admitted and excess and surplus lines insurance, Markel serves a variety of niche markets, specializing in unique hard-to-place risks that are driven by factors often extending beyond price. In addition, the group has established a history of producing excellent operating results over the past decade through adherence to underwriting fundamentals, and very conservative loss reserving practices, which have resulted in consistently favorable accident year loss reserve development. Markel's solid cash flow and equity appreciation via realized capital gains have also proven to be consistent contributors to its strong operating performance. Operating earnings over the long term have provided the financial wherewithal for the group to pay dividends, in spite of the restrictive effect of those payments on surplus appreciation. Traditionally strong operating cash flows have led to the group's adequate liquidity position that is enhanced by the considerable liquidity at the parent company.

The group has historically operated at a higher underwriting leverage position than the surplus lines composite average. Both net premium and liability leverage have exceeded that of the composite, driven by the conservative reserving philosophy and payment of stockholder dividends to maximize financial flexibility at the parent company. Somewhat concerning is Markel's above average common stock leverage, which has long been elevated relative to its composite peers and has continued to increase in recent years. This concern, however, is tempered by the considerable diversification among investments, the company's successful track record and management's long-held investment strategy to protect and build shareholder value. A.M. Best will continue to closely monitor underwriting and investment performance of the group's member companies, and of the group itself, to assure that capital strength remains supportive of the ratings.

Potential upward movement in the ratings could result from improved performance measures and operating conditions as well as sustained, if not improved, risk-adjusted capitalization. Downward movement could result from a material decline in capitalization, negative trends in claim frequency or severity that could materially impair underwriting results, a significant decline in equity capital markets and the possible resulting impact on the company's investment portfolio and capitalization, as well as an unforeseen increase in operating expenses.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	09/07/11	A
03/21/14	A	07/20/10	A
11/13/12	A		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2010	218,438	235,762	-2,448	10,146	732,491	194,076
2011	321,990	332,638	-28,285	-13,455	839,699	206,397
2012	409,945	416,618	-7,810	-5,252	1,019,516	272,771
2013	504,191	493,869	6,230	7,345	1,225,694	347,386
2014	529,027	503,634	2,124	5,553	1,386,875	407,216

Period Ending	Profitability: Comb. Ratio	Profitability: Inv. Yield (%)	Profitability: Pre-tax ROR (%)	Leverage: NA Inv Lev	Leverage: NPW to PHS	Leverage: Net Lev.	Liquidity: Overall Liq. (%)	Liquidity: Oper. Cash flow (%)
2010	107.2	3.2	-1.1	54.9	1.2	4.0	136.2	95.5
2011	112.2	3.1	-9.5	50.9	1.6	4.7	132.6	126.7
2012	103.8	2.7	-2.1	51.6	1.5	4.3	136.6	124.6
2013	100.7	2.2	1.3	76.6	1.4	3.9	139.6	135.1
2014	103.8	2.1	0.4	82.3	1.2	3.6	141.6	111.3
5-Yr	104.8	2.6	-1.6	...	...	...	...	...

(*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

Markel Insurance Company is an admitted insurer and underwrites specialty insurance products and programs. Significant areas of underwriting include commercial multi peril, inland marine, other accident and medical and other liability - occurrence. The company provides coverage for insureds across a wide variety of niche markets including boys and girls clubs, camps, martial arts schools, private and professional schools, social service organizations and museums.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Markel is one of the leading writers of surplus lines and specialty admitted business in the United States ranking among the top ten writers of direct, non-admitted (surplus lines) business in the United States annually. The group markets and underwrites specialty insurance products and programs to a variety of niche markets within the surplus lines and specialty admitted segments.

Domestically, Markel is focused on two market divisions: the Excess and Surplus and the Specialty Admitted divisions. Excess and Surplus lines business is written through well-established programs including brokerage property and brokerage casualty; marine; products liability; inland marine; excess and umbrella; public entity; professional liability; miscellaneous errors and omissions coverage and environmental. This business is predominantly generated by wholesale producers. The group also has Specialty Admitted coverage for niches such as camps; day care centers; social services; health and fitness; medical transportation; senior living centers; museums; commercial marine; small business workers' compensation; specialty ranches and farms; and excess flood. Specialty Admitted products are predominantly sold by retail agencies. Selected personal lines coverage is substantially provided direct to policyholders. They include motorcycles, watercraft, yachts; equine mortality; and special events.

All Markel excess and surplus lines products are distributed through regional offices via wholesale producers. Each of the six regional offices, geographically located in the Northeast, Southeast, Midwest, Mid-South and West areas of the U.S., offer the full suite of Markel's wholesale products to their producers. The regional structure was designed to put underwriters closer to producers while aligning the company's resources to be deployed more efficiently throughout the country.

In terms of excess and surplus lines business, Markel's business has been produced primarily through 312 professional surplus lines general agents who have 823 offices nationwide. Approximately 129 have limited quoting and binding authority. This property and casualty business includes special property, railroad, inland marine and ocean marine.

The professional and products liability lines focus on long-tail surplus lines coverage written on a claims-made basis for highly specialized professions with business produced nationally through wholesale brokers. The products that are offered include professional liability for physicians and allied health care providers, professional liability for lawyers, architects and engineers, agents and brokers, electronic data professionals, management consultants, financial advisors, errors and omissions, directors and officers, employment practices liability, and products liability for new business products and technology.

Brokered excess and surplus lines business is comprised of primary casualty, property, excess and umbrella, environmental, transportation, special programs, and casualty facultative reinsurance. Markel produces this business through wholesale brokers and reinsurance brokers.

Markel's Specialty Admitted division is comprised primarily of admitted specialty commercial program package coverage, workers' compensation and specialty personal lines.

The Specialty commercial business focuses on multi-line insurance programs for businesses engaged in similar, but highly specialized activities. Most of the business is produced through approximately 9,800 retail agencies.

In 2010, Markel acquired Aspen Holdings, Inc. (now known as Markel Aspen, Inc.) an insurance group that provides workers' compensation insurance and related services, principally to small businesses. FirstComp Insurance Company (FirstComp), a wholly-owned insurance subsidiary of Markel Aspen, Inc., writes workers' compensation insurance for small, main street businesses in under-served rural markets. Markel Insurance Company began assuming risk and directly writing workers' compensation business beginning in 2010 and Deerfield Insurance Company began directly writing in 2011. Additionally, Evanston Insurance Company began assuming 50% of all direct writings on FirstComp, effective November 1, 2010. This business is produced through approximately 8,200 retail agency locations with varying levels of underwriting authority.

In 2012, Markel acquired Thompson Insurance Enterprises, LLC, (THOMCO), a privately held program administrator underwriting multi-line, industry-focused programs. THOMCO manages 20 national programs for companies in medical transportation, child care, fitness, senior living and other niches. THOMCO is part of the Specialty Admitted division.

The specialty personal lines products are distributed direct to the consumer primarily through limited specialty retailers with some lines through wholesale producers. The business focuses on products with high volume transactions and low average premiums. Coverage is provided for boats and yachts, fishing charters, boat and personal watercraft rental operations, motorcycles and all-terrain vehicles, higher valued bicycles, non-standard property, special events and short-term medical.

In January 2013, Markel acquired Essentia Insurance Company, which will continue to underwrite insurance exclusively for Hagerty Insurance Agency and Hagerty Classic Marine Insurance Agency throughout the United States. Hagerty is a leading insurance provider for classic vehicles. Hagerty offers insurance for classic cars, vintage boats, motorcycles and related automotive collectibles. Hagerty remains a privately-owned, family business.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (% Chg)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (% Chg)
2010	218,438	5.8	72,090	28.3	54,766	8.0
2011	321,990	47.4	70,498	-2.2	59,850	9.3
2012	409,945	27.3	80,986	14.9	74,313	24.2
2013	504,191	23.0	87,250	7.7	97,571	31.3
2014	529,027	4.9	19,925	-77.2	45,318	-53.6
5-Yr CAGR	...	20.7	...	-18.7	...	-2.2

Period Ending	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
2010	235,762	11.3	220,511	-2.4
2011	332,638	41.1	296,885	34.6
2012	416,618	25.2	378,164	27.4
2013	493,869	18.5	461,623	22.1
2014	503,634	2.0	496,065	7.5
5-Yr CAGR	...	18.9	...	17.0

Territory: The company is licensed in the District of Columbia and all states.

2014 BY-LINE BUSINESS ($000)

Product Line	DPW ($000)	DPW (%)	Reinsurance Prem Assumed ($000)	Reinsurance Prem Assumed (%)	Reinsurance Prem Ceded ($000)	Reinsurance Prem Ceded (%)
Workers' Comp	177,320	33.5	3,450	17.3	5,972	13.2
Com'l MultiPeril	107,741	20.4	930	4.7	7,885	17.4
Oth Liab Occur	73,858	14.0	11,677	58.6	15,948	35.2
Comm'l Auto Liab	45,406	8.6	83	0.4	2,052	4.5
Inland Marine	33,149	6.3	259	1.3	1,090	2.4
Oth Liab CM	36,521	6.9	1,138	5.7	8,130	17.9
Other A & H	23,159	4.4	694	3.5	377	0.8
Farmowners	12,428	2.3	918	4.6	1,183	2.6
Auto Physical	12,193	2.3	34	0.2	2,226	4.9
All Other	7,252	1.4	742	3.7	455	1.0
Total	529,027	100.0	19,925	100.0	45,318	100.0

Product Line	NPW ($000)	NPW (%)	Business Retention (%)
Workers' Comp	174,799	34.7	96.7
Com'l MultiPeril	100,786	20.0	92.7
Oth Liab Occur	69,586	13.8	83.6
Comm'l Auto Liab	43,437	8.6	95.6
Inland Marine	32,318	6.4	96.7
Oth Liab CM	29,529	5.9	79.5
Other A & H	23,476	4.7	98.4
Farmowners	12,162	2.4	91.1
Auto Physical	10,002	2.0	82.0
All Other	7,539	1.5	97.5
Total	503,634	100.0	92.6

BY-LINE RESERVES ($000)

Product Line	2014	2013	2012	2011	2010
Workers' Comp	231,991	188,721	134,599	50,672	4,074
Com'l MultiPeril	157,768	147,809	133,066	133,056	122,367
Oth Liab Occur	161,347	165,955	163,709	176,918	170,361
Comm'l Auto Liab	63,737	46,399	31,220	33,971	32,639
Inland Marine	5,954	6,202	7,838	7,063	11,106
Oth Liab CM	27,864	16,752	8,768	3,614	2,682
Other A & H	10,281	9,698	11,366	20,836	17,674
Farmowners	4,925	4,945	5,784	4,585	10,995
Auto Physical	2,364	1,437	853	1,069	2,178
All Other	17,944	11,241	18,086	19,552	21,696
Total	684,176	599,158	515,289	451,336	395,772

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2014	2013	2012	2011	2010
California	119,316	126,107	129,777	99,685	26,332
Florida	50,112	46,055	27,939	17,234	12,685
Texas	40,611	35,812	27,905	17,912	10,243
New York	31,989	30,893	23,604	22,535	23,198
New Jersey	20,778	20,546	17,470	16,735	18,782
Illinois	17,640	11,561	8,364	19,409	16,943
Nevada	15,443	13,144	4,267	1,327	1,402
Georgia	15,291	14,970	8,091	5,510	4,827
Pennsylvania	14,365	12,423	10,327	7,968	6,351
North Carolina	14,302	13,543	11,253	8,230	6,494
All Other	189,182	179,137	140,948	105,445	91,181
Total	529,027	504,191	409,945	321,990	218,438

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Best's Rating Report

Markel's Enterprise Risk Management (ERM) processes continue to evolve as refinements are introduced to provide an integrated view of the company's risks and to enhance the ERM framework following the acquisition of Alterra in May 2013. Among the more recent refinements includes a formal risk appetite statement being established for both goals and ultimate risks within the company's ERM framework, including the setting of targets and tolerance levels. Benchmarks to identify key risks were also established at the level of those most responsible for driving the monitoring and control of those risk elements.

In addition, there is focused activity at Markel International, designed to bring ERM processes, tools and reporting in line with Solvency II requirements. In 2015, the company also expects to approve its initial ORSA report and has a risk management policy that is reviewed and approved by the executive management team. A greater amount of resources continue to be allocated to improve various ERM-related functions.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Operating Results: The group has generated considerable net income annually over the last five years. Operating earnings over this time frame have been driven by Markel's underwriting income combined with the solid performance of the group's high-quality investment portfolio that produces substantial and consistent net investment income. Both underwriting income and investment income have contributed to the group's annual pretax operating income. Up until 2011, very competitive market conditions on surplus lines and specialty business led directly to declining written and earned premium levels, and somewhat limited underwriting profitability. Markel has long maintained a sizable portfolio of securities that have long been highly rated and are integral to the group's buy-and-hold investment philosophy.

The group's historical production of underwriting income has largely been attributable to its niche underwriting expertise, proven risk management techniques and the rate and form flexibility afforded within the surplus lines market as well as the favorable development of reserves from prior accident years. Strong operating cash flows have helped build the group's invested asset base and continue to enhance net investment income. The group's five-year pretax return on revenue trails that of the surplus lines composite; however, Markel's total return on surplus for the period exceeds the composite average.

Absent significant reserve increases or extraordinary event-driven losses, A.M. Best expects the group to reap the benefits of its effective underwriting platform. The group is also expected to capitalize on the long-term relationships with its multi-dimensional distribution platform to help foster revenue and overall earnings prospects for Markel in 2015 and beyond.

PROFITABILITY ANALYSIS ($000)

	Company			
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2010	-2,448	2,582	10,146	20,571
2011	-28,285	-20,187	-13,455	-14,661
2012	-7,810	-4,390	-5,252	8,168
2013	6,230	2,549	7,345	43,736
2014	2,124	4,234	5,553	51,348
5-Yr Total	-30,189	-15,212	4,336	109,162

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2010	-1.1	11.1	98.2	11.8	9.2	87.5
2011	-9.5	-7.3	105.1	8.3	6.0	91.6
2012	-2.1	3.4	98.1	9.2	8.3	90.0
2013	1.3	14.1	96.1	17.6	13.4	82.6
2014	0.4	13.6	98.9	14.7	11.6	85.2
5-Yr Avg	-1.6	8.3	98.9	12.4	9.8	87.3

Underwriting Results: Markel has posted net underwriting profits in each of the last ten years, with the exception being 2012 (Superstorm Sandy). From a combined ratio perspective, Markel continues to post better than average underwriting results, as exemplified by its five and ten-year key underwriting measures which are on par with the averages of the highly profitable surplus lines composite. Given its specialty orientation, the group has employed underwriting and pricing strategies developed from a base of considerable knowledge within these select divisions that have proven effective over the long term. Highly favorable loss reserve development in recent accident years has also boosted calendar year underwriting results. The group's historical profitability has also been minimally impacted by reserve increases on outstanding asbestos and environmental (A&E) reserves. These reserve increases are largely indicative of management's conservative philosophy to establish reserves that prove to be more likely redundant than deficient. A majority of reserve increases are in the group's incurred but not reported (IBNR) reserves.

Recent initiatives have caused an increase in underwriting expenses, however systems improvements have helped mitigate some of those increased costs and are expected to continue generating expense efficiencies over the medium to long term. As mentioned previously, the underwriting loss posted in 2012, the single year in the last decade that produced an underwriting loss, was driven primarily by Superstorm Sandy as well as a lower take down of prior accident year reserves, which included some development on A&E reserves. Absent significant catastrophe activity or further A&E reserve strengthening, A.M. Best expects Markel to sustain its underwriting profitability via adherence to proven risk selection, underwriting and pricing strategies despite the challenges of a competitive surplus lines and specialty admitted market.

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income ($000)	Loss Ratios: Pure Loss	Loss Ratios: LAE	Loss Ratios: Loss & LAE	Expense Ratios: Net Comm.	Expense Ratios: Other Exp.	Expense Ratios: Total Exp.	Div. Pol.	Comb. Ratio	Ind Comb. Ratio
2010	-22,123	51.2	15.8	67.0	16.3	24.0	40.3	...	107.2	104.3
2011	-50,003	58.6	14.7	73.2	14.4	24.5	38.9	...	112.2	107.1
2012	-29,579	51.7	12.8	64.5	12.7	26.6	39.3	...	103.8	104.6
2013	-16,069	48.3	13.0	61.3	12.3	26.9	39.2	0.2	100.7	98.0
2014	-21,640	51.6	13.6	65.2	13.7	24.7	38.5	0.2	103.8	98.7
5-Yr Total/Avg	-139,415	51.9	13.7	65.6	13.6	25.5	39.1	0.1	104.8	102.4

BY-LINE LOSS RATIO

Product Line	2014	2013	2012	2011	2010	5-Yr Avg
Workers' Comp	48.8	51.1	62.7	73.2	66.3	56.0
Com'l MultiPeril	54.4	46.7	43.7	49.6	37.6	47.2
Oth Liab Occur	36.0	33.8	18.8	59.0	55.6	39.6
Comm'l Auto Liab	71.9	52.1	42.2	69.6	60.0	60.4
Inland Marine	48.7	62.0	60.4	53.3	59.7	56.9
Oth Liab CM	65.3	66.6	37.9	4.0	28.9	52.1
Other A & H	44.1	42.1	47.5	73.7	58.2	56.3
Farmowners	31.9	48.2	70.4	4.4	33.6	38.8
Auto Physical	76.1	77.9	50.0	20.7	60.8	67.0
All Other	78.2	-1.0	58.5	24.7	101.2	47.9
Total	51.6	48.3	50.7	58.6	51.2	51.7

DIRECT LOSS RATIO BY STATE

	2014	2013	2012	2011	2010	5-Yr Avg
California	47.3	53.2	48.6	65.9	34.8	51.2
Florida	64.2	55.1	35.8	63.5	107.8	60.6
Texas	64.3	46.4	50.4	42.5	39.2	52.0
New York	45.5	35.5	67.7	43.4	56.4	49.2
New Jersey	54.0	19.8	46.6	134.1	41.3	58.8
Illinois	44.3	40.3	67.7	67.0	17.6	48.1
Nevada	50.0	57.2	47.8	76.4	16.7	52.2
Georgia	58.9	56.8	45.9	50.1	33.0	52.5
Pennsylvania	31.7	24.1	86.8	44.9	28.5	41.9
North Carolina	29.7	46.0	25.8	65.5	39.5	39.5
All Other	48.5	51.8	43.0	52.1	46.9	48.6
Total	50.2	49.0	47.9	61.5	46.0	50.6

Investment Results: Markel continues to employ an investment philosophy emphasizing total return over the long term, in conjunction with a focus on the preservation of capital. Ensuring consistent application of developed strategies, the group's invested assets are managed internally by a group of investment professionals whose track record for investment income generation has been very good over the long-term. While the group's five-year net investment yield slightly trails the average posted by the surplus lines composite, its total return on invested assets outpaces the composite average, driven by realized investment gains. Results have improved since 2008 due to improved capital market conditions, and planned changes de-emphasizing corporate bonds and increasing investments in municipal and treasury securities. A.M. Best expects the group to maintain a position of above average investment leverage, due to its significant portfolio of equity securities.

Historically, the group's investment yield has been somewhat depressed by its substantial investment in common equities and the fact that a significant proportion of its high-quality bond portfolio is invested in tax-exempt municipal government agency securities. Operating cash flow has historically been solid, helping growth in invested assets, and leading to bolstered net investment income.

INVESTMENT GAINS ($000)

Year	Company: Net Inv Income	Company: Realized Capital Gains	Company: Unrealized Capital Gains
2010	20,030	7,564	10,425
2011	21,092	6,731	-1,205
2012	21,532	-862	13,419
2013	21,563	4,795	36,392
2014	24,089	1,319	45,795
5-Yr Total	108,306	19,548	104,826

Year	Company: Inv Inc Growth (%)	Company: Inv Yield (%)	Company: Return on Inv Assets (%)	Company: Pre-tax Invest Total Return (%)	Industry Composite: Inv Inc Growth (%)	Industry Composite: Inv Yield (%)
2010	0.8	3.2	4.5	6.5	0.7	4.4
2011	5.3	3.1	4.1	3.7	-3.2	4.3
2012	2.1	2.7	2.6	5.2	-2.4	4.1
2013	0.1	2.2	2.7	8.2	6.5	4.2
2014	11.7	2.1	2.2	7.8	-10.2	3.7
5-Yr Avg	4.1	2.6	3.0	6.6	-1.8	4.2

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Capitalization: The group's capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is supportive of the current rating. The strong capital position is maintained despite the payment of dividends annually to parent company Markel Corporation to enhance financial flexibility and increase company liquidity. The group's capital base during the most recent calendar year increased by almost 11%, following a 15% increase the year prior, driven by net income and unrealized capital gains, which more than offset dividends paid to the parent. Capital contributions, including additional capital provided via distributions made by Markel International, helped fortify the balance sheets of the member companies. In the past, the parent company has shown the willingness to draw down on its available credit facility to ensure that enough capital is on hand to support the group's business plan.

Historically, growth in the group's surplus had been driven by strong, consistent underwriting and investment earnings. In addition, realized, and in some years unrealized gains, had supplemented the organic capital generation. A.M. Best expects the parent company to continue to receive dividends from its profitable insurance subsidiaries. The acquisition of the Alterra entities should help spread dividend requirements to include these newest subsidiaries. The expectation of continued strong operating earnings should enable the group to strengthen its surplus base. Additionally, the parent company maintains solid financial flexibility and has also shown the ability to access the capital markets over the years.

While the group's capitalization remains supportive of the current rating, it still has elevated net underwriting leverage compared to the composite average. Despite considerable operating earnings, underwriting leverage measures increased marginally in recent years before moderating slightly during the past two years. Growth in premium has resulted from the recent acquisitions and for some select classes and lines of coverage, more favorable rates. A.M. Best has long believed that Markel maintains an appreciable amount of equity embedded in its loss reserves. Unpaid loss and loss adjustment expense reserves have been maintained at levels consistently above the independent actuary's best estimate and continue to yield considerable economic value. These conservative reserving practices are primarily responsible for the group's elevated liability leverage, which also contributes to the elevated underwriting leverage. Reserves related to asbestos and environmental (A&E) exposures have accounted for a small amount of adverse prior year development.

Current BCAR: 209.5

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2010	-2,448	7,564	-5,029	10,425
2011	-28,285	6,731	-8,098	-1,205
2012	-7,810	-862	-3,420	13,419
2013	6,230	4,795	3,681	36,392
2014	2,124	1,319	-2,110	45,795
5-Yr Total	-30,189	19,548	-14,977	104,826

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2010	...	-3,062	17,509	9.9
2011	25,000	1,982	12,322	6.3
2012	55,077	3,128	66,373	32.2
2013	30,000	879	74,615	27.4
2014	...	8,482	59,830	17.2
5-Yr Total	110,077	11,409	230,649	18.2

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2010	...	...	114,378	79,698
2011	...	...	140,873	65,525
2012	...	...	194,455	78,315
2013	...	...	224,455	122,931
2014	...	...	224,455	182,761

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2010	194,076	607	194,683
2011	206,397	224	206,621
2012	272,771	534	273,305
2013	347,386	166	347,552
2014	407,216	118	407,335

LEVERAGE ANALYSIS

	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2010	1.2	2.0	4.0	4.6	0.7	1.4	2.7	3.5
2011	1.6	2.2	4.7	5.2	0.7	1.4	2.8	3.7
2012	1.5	1.9	4.3	4.6	0.7	1.4	2.8	3.6
2013	1.4	1.7	3.9	4.3	0.7	1.3	2.8	3.5
2014	1.2	1.7	3.6	3.9	0.7	1.3	2.7	3.5

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)
2010	109,929	90.4	43.7	56.6	77.9	57.0	79.4
2011	97,546	93.1	35.3	47.3	78.2	58.6	83.3
2012	89,456	92.8	20.9	32.8	79.9	57.7	82.2
2013	110,063	92.8	20.7	31.7	79.5	53.1	76.5
2014	99,872	92.6	16.0	24.5	77.8	50.7	74.4

2014 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	43,417	66,619	3,391	...	113,427
US Insurers	9,537	34,983	10,804	141	55,465
Other Non-US	1,748	6,069	1,785	...	9,602
Total (ex US Affils)	11,285	41,052	12,589	141	65,067
Grand Total	54,702	107,671	15,980	141	178,494

* Includes Commissions less Funds Withheld

Loss Reserves: Loss reserve trends of recent years have indicated favorable accident year loss reserve development across nearly all classes of business.

Adverse development has been experienced on asbestos and environmental losses relating to an increase in severity on claims reported, primarily concerning environmental-related claims; however, this has had a relatively minimal impact on overall reserves. Generally, the group has experienced significant redundancies on its loss reserves in recent accident years in the professional liability, casualty, and commercial multiple peril classes of business.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/14	Unpaid Res. to Develop. (%)
2009	371,968	307,513	-17.3	-36.5	136.1	72,388	23.5
2010	356,193	284,610	-20.1	-36.9	129.1	92,854	32.6
2011	404,934	325,168	-19.7	-38.6	109.5	138,526	42.6
2012	462,958	407,825	-11.9	-20.2	107.8	228,859	56.1
2013	536,767	518,801	-3.3	-5.2	112.4	377,873	72.8
2014	611,254	611,254	...	...	123.2	611,254	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '14	Develop. to Orig. (%)	Unpaid Reserves @12/14	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2009	88,103	73,142	-17.0	14,382	55.6	97.1
2010	89,020	85,755	-3.7	20,466	62.6	102.9
2011	148,758	126,041	-15.3	45,672	69.8	108.7
2012	188,058	179,140	-4.7	90,333	71.3	110.6
2013	218,219	217,130	-0.5	149,014	69.8	109.2
2014	233,381	233,381	...	233,381	69.2	107.8

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Liquidity: Underwriting and operating cash flow have historically allowed the group to maintain current and overall liquidity measures that were modestly below the composite average. Substantial historical cash and invested assets at the parent-only level and proven access to the debt and equity capital markets, serve to further enhance Markel's overall liquidity position. Underwriting and operating cash flows have improved considerably during the past two calendar years, driven by increased premium volume. In 2013, ultimate parent Markel Corporation exercised the accordion on its existing $150 million revolving credit facility to $300 million, in addition to substantial increases in available limits at credit facilities totaling nearly $1 billion via the Alterra acquisition.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2010	27.2	109.9	136.2	20.1	22.4	106.9	148.3	8.8
2011	29.6	105.9	132.6	12.5	21.1	105.8	146.6	10.0
2012	35.8	111.2	136.6	14.0	23.0	104.6	147.0	10.9
2013	52.6	116.6	139.6	13.0	24.6	107.4	148.2	10.6
2014	48.6	113.0	141.6	17.0	24.8	107.5	148.9	10.3

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2010	-35,734	-11,705	-38,070	86.4	95.5	96.8	109.4
2011	36,440	74,128	22,115	113.1	126.7	96.7	108.5
2012	57,895	83,337	18,832	117.1	124.6	99.8	113.4
2013	98,687	136,362	31,820	125.4	135.1	102.6	115.0
2014	26,484	50,995	-48,297	106.0	111.3	104.2	115.4
5-Yr Total	183,773	333,116	-13,600	...	...	...	...

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

Investments: Invested assets are largely geared toward fixed income securities with approximately 34% of invested assets in common equities. Markel's investment policy emphasizes quality and long-term value in both fixed income and equity investments. The investment mix provides for the preservation of capital through relatively safe and stable investments. The quality of the fixed income portfolio was exceptional, with 99% being investment grade. The fixed income and equity portfolios had market values that were above book values. Investment leverage is elevated as common stocks represented 107% of surplus in 2013 which far exceeds the composite average. However, the equity portfolio is closely managed and well diversified consisting of a number of publicly traded securities in various market sectors.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2010	1.0	...	...	53.9	54.9	23.8	5.4	9.8
2011	2.4	...	...	48.6	50.9	29.8	5.6	10.0
2012	1.8	...	...	49.8	51.6	24.2	6.1	10.7
2013	1.4	...	...	75.2	76.6	21.0	6.5	14.9
2014	1.2	...	...	81.1	82.3	27.5	6.9	16.3

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years 0-1	1-5	5-10	10-20	20+	Yrs-Avg Maturity
Government	5.2	6.4	5.9	3.6	…	6
Gov't Agencies & Muni	13.3	21.1	27.5	6.8	0.1	6
Industrial & Misc	5.5	3.9	…	…	0.7	3
Total	24.0	31.4	33.4	10.4	0.8	5

	2014	2013	2012	2011	2010
Bonds (000)	710,839	647,873	613,093	508,388	448,210
US Government	9.1	9.2	9.7	8.0	4.0
Foreign Government	9.2	11.6	9.7	9.4	4.1
Foreign - All Other	4.2	6.6	7.8	6.5	7.7
State/Special Revenue - US	72.0	67.2	66.3	71.2	77.0
Industrial & Misc - US	5.5	5.4	6.5	4.9	7.0
Private Issues	1.3	2.7	3.3	2.1	2.7
Public Issues	98.7	97.3	96.7	97.9	97.3

Bond Quality (%)	2014	2013	2012	2011	2010
Class 1	97.0	95.9	93.4	95.5	92.2
Class 2	2.4	3.5	5.9	3.6	7.4
Class 3	0.6	0.6	0.7	0.9	…
Class 4	…	…	…	…	0.4

INVESTMENTS - EQUITIES

	2014	2013	2012	2011	2010
Stocks (000)	396,627	318,603	186,257	146,396	150,816
Unaffiliated Common	83.2	82.0	72.9	68.5	69.3
Affiliated Common	16.8	18.0	27.1	31.5	30.7

INVESTMENTS - OTHER INVESTED ASSETS

	2014	2013	2012	2011	2010
Other Inv Assets (000)	102,541	120,837	89,017	70,186	32,671
Cash	14.5	32.8	3.2	-1.3	3.6
Short-Term	41.2	54.4	79.5	79.4	96.4
Schedule BA Assets	44.3	12.7	17.3	21.9	…

HISTORY

Markel Insurance Company was incorporated on November 26, 1980 under the laws of Illinois as Insurance Company of Evanston and began business on December 22, 1980. The present title was adopted on January 1, 1995.

Effective March 17, 2009, Gryphon Holding Inc. (Gryphon) was merged into its ultimate controlling parent and sole shareholder, Markel Corporation (Markel), an insurance holding company domiciled in the Commonwealth of Virginia, resulting in Markel directly owning all of Gryphon's insurance subsidiaries including Deerfield Insurance Company.

Effective March 27, 2009, Markel Corporation contributed its 100% ownership interest in Deerfield Insurance Company to the company. In December 2015, Deerfield Insurance Company was merged into Markel Insurance Company.

MANAGEMENT

All outstanding capital stock is owned by Markel Corporation, Glen Allen, Virginia, a publicly traded holding company that trades on the NYSE under the ticker symbol "MKL". Markel Corporation has been the ultimate owner of Markel Insurance Company since December 1990.

Operations of the company are conducted by affiliates under a management agreement with Markel Service, Incorporated and a binding authority agreement with Markel West, Inc. Services provided include, but are not limited to, underwriting, management, claims handling, accounting, reinsurance and administration.

Officers: Chairman of the Board and President, F. Michael Crowley; Senior Vice Presidents, Robin Russo, Richard R. Whitt, III; Vice President and Secretary, Richard R. Grinnan; Vice President, Treasurer and Chief Financial Officer, Anne G. Waleski; Vice Presidents, Diedre D. Balbuena, Joanne M. Cichon-Feeney, Nora N. Crouch, Audrey J. Hanken, Bruce A. Kay, Mark D. Nichols, Thomas K. Smith; Controller, Robert G. Whitt, III.

Directors: Gerard Albanese, Jr., Joanne M. Cichon-Feeney, F. Michael Crowley, Mary-Ellen S. Fiske, Britton L. Glisson, Ronald J. Herrig, Bradley J. Kiscaden, Anne G. Waleski, Richard R. Whitt, III.

REGULATORY

An examination of the financial condition was made as of December 31, 2010, by the insurance department of Illinois. The 2014 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by G. Christopher Nyce, FCAS, MAAA, KPMG, LLP.

REINSURANCE

The largest net amount insured in any one risk is $11.9 million after affiliated and non-affiliated reinsurance. The company writes primary casualty limits up to $10 million and excess limits up to $25 million with a maximum company retention of $7 million. Property business is written at gross policy limits up to $50 million with various reinsurance arrangements resulting in a maximum company retention of $4.9 million. The company also participates in several intercompany reinsurance arrangements with other affiliated companies.

Markel arranges catastrophe coverage for all property Insurance units within Markel North America including Global Ocean Marine and Global Inland Marine divisions of Markel North America, resulting in higher limits and more cost effective coverage. At May 1, 2014, coverage for wind and earthquake was placed on a traditional basis. The traditional reinsurance coverage is placed 65% of the combined layer of $375 million excess of $100 million and 100% of the layer $225 million excess $375 million. Additionally, a 51% quota share was placed with a maximum $240 million occurrence limit.

The company's principal non-affiliated reinsurers are: Allied World Insurance Company, Everest Reinsurance Company, Factory Mutual Insurance Company, Munich Reinsurance America Inc., Odyssey America Reinsurance Corporation, Safety National Casualty Corporation, Lloyd's Syndicate Number 2003, Aspen Insurance UK Limited, Liberty Mutual Insurance Company and Hannover Rueck SE.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/14	12/31/13	'14%	'13%
Bonds	710,839	647,873	51.3	52.9
Common stock	330,052	261,177	23.8	21.3
Cash & short-term invest	57,141	105,437	4.1	8.6
Investments in affiliates	111,975	72,826	8.1	5.9
Total invested assets	1,210,007	1,087,313	87.2	88.7
Premium balances	145,653	117,804	10.5	9.6
Accrued interest	8,997	9,251	0.6	0.8
All other assets	22,219	11,327	1.6	0.9
Total assets	1,386,875	1,225,694	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/14	12/31/13	'14%	'13%
Loss & LAE reserves	684,176	599,158	49.3	48.9
Unearned premiums	222,683	214,362	16.1	17.5
Conditional reserve funds	118	166	0.0	0.0
All other liabilities	72,682	64,622	5.2	5.3
Total liabilities	979,659	878,308	70.6	71.7
Capital & assigned surplus	224,455	224,455	16.2	18.3
Unassigned surplus	182,761	122,931	13.2	10.0
Total policyholders' surplus	407,216	347,386	29.4	28.3
Total liabilities & surplus	1,386,875	1,225,694	100.0	100.0

SUMMARY OF 2014 OPERATIONS ($000)

Statement of Income	12/31/14	Funds Provided from Operations	12/31/14
Premiums earned	496,065	Premiums collected	470,607
Losses incurred	255,912	Benefit & loss-related pmts	201,741
LAE incurred	67,308		
Undrw expenses incurred	193,718	LAE & undrw expenses paid	242,145
Div to policyholders	767	Div to policyholders	237
Net underwriting income	-21,640	Undrw cash flow	26,484
Net investment income	24,089	Investment income	31,451
Other income/expense	-324	Other income/expense	-324
Pre-tax oper income	2,124	Pre-tax cash operations	57,611
Realized capital gains	1,319		
Income taxes incurred	-2,110	Income taxes pd (recov)	6,616
Net income	5,553	Net oper cash flow	50,995

Operating Company Non-Life

Ultimate Parent: Markel Corporation

MARKEL INTERNATIONAL INSURANCE COMPANY LIMITED

20 Fenchurch Street, London EC3M 3AZ, England
Web: www.markelintl.com
Tel.: 44-20-7953-6000 Fax: 44-20-7953-6001
AMB#: 085173 AIIN#: AA-1121425
Ultimate Parent#: 058405

BEST'S CREDIT RATING

Best's Financial Strength Rating: A **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of the Markel North America operations have been extended to Markel International Insurance Company Limited (MIICL) based on MIICL's strategic importance to the Markel group. MIICL and Lloyd's Syndicate 3000 account for a quarter of the Markel group's gross premium income and provide the group with access to UK, London market and international business. In addition, MIICL benefits from the explicit support and financial flexibility of its parent, which has contributed capital of approximately USD 200 million since acquiring the company.

Positive or negative movements in the ratings of the Markel North America operations would likely lead to corresponding actions for MIICL. In addition, a deterioration in the stand-alone risk-adjusted capitalisation or a reduction in the importance of MIICL in the overall group could lead to negative pressure on the company's ratings.

The following text is derived from A.M. Best's Credit Report on Markel North America Insurance Group (AMB# 003191).

The ratings reflect Markel North America Insurance Group's (Markel) well-established market position as one of the leading excess and surplus lines organizations in the United States, its historically profitable operating performance, solid risk-adjusted capitalization and ability to attract growth after many years of an extended soft market cycle. These positive attributes are partially offset by the group's elevated underwriting leverage, above average common stock leverage, high expense base and the challenges presented by low new money yields and the prevailing economic conditions.

Markel's specialty orientation and its commitment to profitability remain key attributes. As a writer of specialty admitted and excess and surplus lines insurance, Markel serves a variety of niche markets, specializing in unique hard-to-place risks that are driven by factors often extending beyond price. In addition, the group has established a history of producing excellent operating results over the past decade through adherence to underwriting fundamentals, and very conservative loss reserving practices, which have resulted in consistently favorable accident year loss reserve development. Markel's solid cash flow and equity appreciation via realized capital gains have also proven to be consistent contributors to its strong operating performance. Operating earnings over the long term have provided the financial wherewithal for the group to pay dividends, in spite of the restrictive effect of those payments on surplus appreciation. Traditionally strong operating cash flows have led to the group's adequate liquidity position that is enhanced by the considerable liquidity at the parent company.

The group has historically operated at a higher underwriting leverage position than the surplus lines composite average. Both net premium and liability leverage have exceeded that of the composite, driven by the conservative reserving philosophy and payment of stockholder dividends to maximize financial flexibility at the parent company. Somewhat concerning is Markel's above average common stock leverage, which has long been elevated relative to its composite peers and has continued to increase in recent years. This concern, however, is tempered by the considerable diversification among investments, the company's successful track record and management's long-held investment strategy to protect and build shareholder value. A.M. Best will continue to closely monitor underwriting and investment performance of the group's member companies, and of the group itself, to assure that capital strength remains supportive of the ratings.

Potential upward movement in the ratings could result from improved performance measures and operating conditions as well as sustained, if not improved, risk-adjusted capitalization. Downward movement could result from a material decline in capitalization, negative trends in claim frequency or severity that could materially impair underwriting results, a significant decline in equity capital markets and the possible resulting impact on the company's investment portfolio and capitalization, as well as an unforeseen increase in operating expenses.

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
05/15/15	A	09/07/11	A
03/21/14	A	06/30/10	A
11/13/12	A		

BUSINESS PROFILE

Markel International Insurance Company Limited (MIICL) and Lloyd's Syndicate 3000 are the two underwriting entities of Markel International (MINT), the UK and London market operation of Markel Corporation (Markel). In 2014, MINT accounted for about 24% of the consolidated gross written premium of Markel, the holding company of a U.S. excess and surplus lines group.

In April 2013, Markel completed the acquisition of Alterra Capital Holdings Limited (Bermuda), a global specialty insurance and reinsurance business. As part of the acquisition, the business of Alterra Europe, Alterra Resseguradora do Brasil (Brazil) and Lloyd's Syndicate 1400 became part of MINT. The process of integrating these operations with those of MINT began during 2013 and was completed during 2014. Three new divisions have been created (casualty treaty, Latin America and Zurich). Syndicate 1400 was closed into Markel's Syndicate 3000 during 2014.

Markel Resseguradora do Brasil (formerly Alterra Resseguradora do Brasil) continues to operate as a local Brazilian company, while MIICL and Syndicate 3000 remain the two main entities within MINT, writing business on a divisional basis. Of the new divisions, the Latin America division comprises the former Alterra offices in Bogota, Buenos Aires and Rio de Janeiro and produces business for MIICL, Syndicate 3000 and Markel Resseguradora do Brasil, while the Zurich division writes only syndicate business, previously for Syndicate 1400 and since 2013 for Syndicate 3000. With the exception of the retail division, which writes all of its business for MIICL, all other MINT divisions, including the new casualty treaty division, write business for both MIICL and the syndicate. In addition, there are branch offices in Spain, the Netherlands and Germany that write business only for MIICL and a branch in Sweden that writes business for MIICL and the syndicate.

The principal divisions from which MIICL derived its business in 2014 were marine and retail, which represented respectively 20% and 18% of the company's gross written premiums (GWP). The professional and financial risks division represented 12%, the legal protection and financial liability division another 12%, casualty treaty business 11%, speciality 9%, trade credit 5%, and overseas branches (Spain, Sweden, Netherlands and Germany) 11%. The balance of the account (2%) was derived from the equine and MGA divisions.

The professional and financial risks (PFR) division provides wholesale professional indemnity and directors' and officers' insurance. The professional indemnity (PI) account covers four professional classes: miscellaneous professionals and consultants, construction professionals, financial service professionals and professional practices. The directors' and officers' liability business (D&O) is written for public, private and non-profit companies of all sizes on either an individual or blanket basis. Most business is written in the UK with the remainder primarily written in Europe. In 2015, growth is likely to be limited by challenging market conditions.

The retail division has seven branch offices across the UK, which offer PI, D&O liability, employment practices liability and social welfare property/liability coverage for small to medium sized enterprises (SMEs). Premium rates in the competitive UK SME market remain weak and growth opportunities are limited. Nevertheless, a marginal increase in retail premium is anticipated in 2015, driven by modest growth in the social welfare and art/collectibles sectors.

MIICL also writes PI and D&O liability through offices in Munich (a joint venture acquired in early 2012), Rotterdam (opened in 2011) and Stockholm (launched in 2008). Additionally, Rotterdam has a focus on engineering insurance and Stockholm provides the company with fine art, property and marine business.

The specialty division's account comprises property treaty reinsurance including excess of loss, stop loss, aggregate excess and proportional coverage. A significant proportion of the division's excess of loss catastrophe and per risk treaty business originates in the U.S. In addition, the division offers coverage for a number of specialist classes, predominately outside the U.S., including financial institutions, contingency and other special risks. A decline in premium income is expected in 2015, due to contracts shifting from MIICL to Syndicate 3000.

The marine and energy account comprises cargo, energy, hull, liability, war and specie risks. A decrease of about 35% in premium income is forecast for 2015, driven by a shift of several contracts from MIICL to Syndicate 3000.

The trade credit division began writing during 2010 and contributed a modest amount of premium to MIICL. The division has shown continuous growth with further expansion in premium income anticipated in 2015 following the establishment of a presence in Dubai.

A divisional restructuring in 2011 saw the creation of the MGA division, which included delegated property and delegated liability business written on a worldwide basis. The property account provided cover ranging from fire to catastrophe perils such as earthquake and windstorm, and the liability account covered commercial property, homeowners, inland marine, auto physical damage and commercial general liability. However, although this division was able to meet its premium target during 2012, concerns over profitability led to the division's business being placed in run-off with effect from 1 July 2012.

In October 2013 Markel acquired Abbey Protection plc., a specialist provider of legal and taxation related professional fees insurance products and services for UK SMEs. Abbey Protection continues to operate under its own brand as a separate division within MIICL, extending MIICL's product range in the UK retail market. Premium income is expected to be stable in 2015 is expected to remain overall in line with 2014.

As part of a consolidation of Markel's European underwriting entities, Markel Europe plc. (ME), a subsidiary of MINT, was merged into MIICL on 1 July 2015.

ME reported GWP of USD 199 million for the year ended December 2014 (2013: USD 230 million), with a combined ratio of 128% (2013: 122%). The profit before tax for 2014 was USD 4 million compared to a loss of USD 7 million in 2013.

RISK MANAGEMENT

Risk management is firmly embedded throughout MINT and is a key part of the business management framework. The risk management process is controlled through a risk register and risk appetite cascades from MINT's corporate goals. Solvency II principles under the current regulatory regime are used to manage MIICL's capital requirements and to ensure it has the financial strength to support business growth. The company's risk strategy is reviewed at least annually.

OPERATING PERFORMANCE

Operating Results: MIICL produced an excellent operating performance in 2014, reporting a profit before tax and equalisation reserve movement of USD 95.7 million (2013: USD 150.4 million). This result was supported by excellent investment returns.

Underwriting Results: MIICL has a strong historical underwriting record, demonstrated by a five-year (2010-2014) average combined ratio of 88%. This performance is after taking account of the exceptionally high losses in 2011, which together added 15 percentage points to the combined ratio for that year.

MIICL reported a combined ratio of 88% in 2014 (2013: 86%), a benign year in terms of catastrophe losses. However, in 2015 margins on business written by the company's core divisions will be squeezed as market conditions for UK retail and professional and financial risks lines remain challenging. Prior year reserves are expected to continue to develop favourably.

Underwriting results in 2015 will also be affected by the merger of Markel Europe (ME) in July 2015. Historically, ME has reported higher loss ratios than MIICL.

Investment Results:

In 2014, MIICL reported an excellent investment return (including realised and unrealised gains) of 5.9% (2013: 8.9%). The return on fixed income securities was good, and the equity portfolio reported a strong level of unrealised gains at the year end.

Investment policy and trading guidelines are set by the MIICL board. Investments are managed by Markel Gayner Asset Management Corporation, the subsidiary of Markel that manages all group investments. MIICL's investment portfolio is managed with a focus on long-term returns, ignoring short-term volatility.

As global investment market conditions improved in 2009 and subsequent years, the company initially reduced the proportion of the portfolio being held in cash and short term investments, allowing the proportion of high-quality fixed income securities to increase to 76% of total investments as at year-end 2011. From 2012 this trend was reversed, as bond markets became less favourable, and the proportion of fixed income securities fell to 49% with both equity and cash investments increasing. Equities represent a relatively high proportion of total investments (29% as at year-end 2014) and have contributed to historical earnings volatility.

BALANCE SHEET STRENGTH

Capitalization: MIICL's stand-alone risk-adjusted capitalisation remains excellent in spite of dividend payments to its parent of USD 50 million in both

2013 and 2012, following a dividend of USD 125 million in 2011 (no dividend paid in 2014). Solid prospective performance is expected to support future dividend payments.

Financial flexibility is enhanced by the support of the immediate and ultimate parent companies, which have contributed capital of approximately USD 200 million since acquiring the company, the last contribution being USD 15 million during 2008, to support MIICL's underwriting.

Loss Reserves: In A.M. Best's opinion, MIICL has reserved conservatively for business written since its acquisition by Markel. An additional margin is established over internal actuaries' initial best estimate, which is likely to enable MIICL to make modest prospective reserve releases. In-house actuaries conduct a full reserving analysis quarterly, and the results are presented to both MINT and Markel Corporation management. In addition, MINT's reinsurance and special projects team holds quarterly meetings to cover all aspects of claims run off and progress on reinsurance recoveries. Reserves are reviewed annually by external actuaries.

A.M. Best believes the risk of further reserve deterioration relating to business written prior to 2002 continues to diminish, as the level of technical reserves for these years reduces and development stabilises. As at year-end 2014, reserves for risks written prior to 2002 represented approximately 25% of net reserves, down from 71% as at year-end 2004. Approximately USD 95m of reserves relating to business written prior to 1992 will be transferred to an external run-off specialist during 2015, further decreasing MIICL exposure to adverse reserve developments.

Liquidity: MIICL has a highly liquid investment portfolio with assets invested principally in cash and easily marketable bonds. The bond portfolio has an average duration of approximately 4 years. Credit quality is good, with 98% of bonds rated "A" or above as at year-end 2014. Euro denominated assets represented 7% of total investments and the proportion of equity holdings was over 29%.

Summarized Accounts as of December 31, 2014

Data reflected within all tables of this report has been compiled from the financial statements of this company (Source: Company Financial Statement).

An independent audit of the company's affairs through December 31, 2014, was conducted by KPMG LLP.

STATEMENT OF INCOME

	12/31/2014 USD(000)	12/31/2013 USD(000)
Technical account:		
Direct premiums	301,556	228,018
Reinsurance premiums assumed	122,924	114,214
Gross premiums written	424,480	342,232
Reinsurance ceded	75,521	77,439
Net premiums written	348,959	264,793
Increase/(decrease) in gross unearned premiums	46,203	9,568
Reinsurers share unearned premiums	-1,118	13,986
Net premiums earned	301,638	269,211
Total underwriting income	301,638	269,211
Net claims paid	108,960	133,856
Net increase/(decrease) in claims provision	48,165	-11,645
Net claims incurred	157,125	122,211
Management expenses	68,178	55,843
Acquisition expenses	57,599	50,833
Net operating expenses	125,777	106,676
Total underwriting expenses	282,902	228,887
Balance on technical account	18,736	40,324
Combined technical account:		
Direct premiums	301,556	228,018
Reinsurance premiums assumed	122,924	114,214
Gross premiums written	424,480	342,232
Reinsurance ceded	75,521	77,439
Net premiums written	348,959	264,793
Increase/(decrease) in gross unearned premiums	46,203	9,568
Increase/(decrease) in reinsurers share unearned premiums	-1,118	13,986
Net premiums earned	301,638	269,211
Total revenue	301,638	269,211
Net claims paid	108,960	133,856
Net increase/(decrease) in claims provision	48,165	-11,645
Net claims incurred	157,125	122,211
Management expenses	68,178	55,843
Acquisition expenses	57,599	50,833
Net operating expenses	125,777	106,676
Total underwriting expenses	282,902	228,887
Balance on combined technical account	18,736	40,324

	12/31/2014 USD(000)	12/31/2013 USD(000)
Non-technical account:		
Net investment income	34,731	35,304
Realised capital gains/(losses)	6,109	9,653
Unrealised capital gains/(losses)	37,733	64,961
Exchange gains/(losses)	-1,659	146
Profit/(loss) before tax	95,650	150,388
Taxation	16,359	32,220
Profit/(loss) after tax	79,291	118,168
Dividend to shareholders	...	50,000
Increase/(decrease) in the equalisation provision	5,594	8,185
Exceptional income/(expense)	-1,021	-5,401
Retained profit/(loss) for the financial year	72,676	54,582
Retained profit/(loss) brought forward	166,259	111,677
Retained profit/(loss) carried forward	238,935	166,259

MOVEMENT IN CAPITAL & SURPLUS

	12/31/2014 USD(000)	12/31/2013 USD(000)
Capital & surplus brought forward	491,448	436,866
Currency exchange gains	1,406	...
Profit or loss for the year	73,697	109,983
Dividend to shareholders	...	-50,000
Other changes	-2,427	-5,401
Total change in capital & surplus	72,676	54,582
Capital & surplus carried forward	564,124	491,448

ASSETS

	12/31/2014 USD(000)	12/31/2014 % of total	12/31/2013 USD(000)
Cash & deposits with credit institutions	195,853	11.9	270,510
Bonds & other fixed interest securities	774,267	46.9	663,250
Shares & other variable interest instruments	397,554	24.1	344,485
Liquid assets	1,367,674	82.8	1,278,245
Inter-company investments	6,459	0.4	7,381
Total investments	1,374,133	83.2	1,285,626
Reins. sh. of tech. reserves - unearned premiums	25,030	1.5	26,942
Reinsurers' share of technical reserves - claims	112,159	6.8	107,489
Total reinsurers share of technical reserves	137,189	8.3	134,431
Deposits with ceding companies	471	0.0	516
Insurance/reinsurance debtors	85,693	5.2	77,443
Inter-company debtors	16,172	1.0	4,727
Other debtors	179	0.0	1,974
Total debtors	102,044	6.2	84,144
Prepayments & accrued income	38,678	2.3	26,367
Total assets	1,652,515	100.0	1,531,084

LIABILITIES

	12/31/2014 USD(000)	12/31/2014 % of total	12/31/2013 USD(000)
Capital	226,876	13.7	226,876
Paid-up capital	226,876	13.7	226,876
Non-distributable reserves	98,313	5.9	98,313
Claims equalisation reserve	23,378	1.4	17,784
Retained earnings	238,935	14.5	166,259
Capital & surplus	587,502	35.6	509,232
Gross provision for unearned premiums	160,893	9.7	124,018
Gross provision for outstanding claims	815,186	49.3	797,237
Total gross technical reserves	976,079	59.1	921,255
Insurance/reinsurance creditors	18,961	1.1	29,657
Inter-company creditors	50,981	3.1	27,534
Other creditors	17,615	1.1	41,351
Total creditors	87,557	5.3	98,542
Other liabilities	1,377	0.1	2,055
Total liabilities & surplus	1,652,515	100.0	1,531,084

MANAGEMENT

In A.M. Best's opinion, MINT has strong management in place and control infrastructure that benefits from the support of the senior management of Markel Corporation.

MIICL and Syndicate 3000 continue as the two main entities within MINT, operating under a single management structure. Markel Resseguradora do Brasil (formerly Alterra Resseguradora do Brasil) operates as a local company. There is no internal distinction between company and syndicate business. With the exception of the retail division (MIICL only), each underwriter in each division has the ability to use either MIICL or syndicate paper. However, business written through Elliott Special Risks (a leading managing general agent in Canada, acquired by MINT in 2009), Lloyd's Singapore office and the Zurich office acquired through Alterra is written on behalf of the syndicate only.

Officers: President; W. D. Stovin, Chief Operating Officer, Treasurer; A. J. Davies, Vice President; J. W. Brazil, Vice President; S. M. Carroll, Vice President; P. H. Jenks, Vice President; N. Line, Vice President; H. A. Maltby, Vice President; R. R. Whitt, III, Secretary; A. J. Bailey

Directors: J. W. Brazil, S. M. Carroll, A. J. Davies, P. H. Jenks, N. Line, I. Marshall, R. Snedden, W. D. Stovin, A. Whitaker.

ANALYSIS OF GROSS PREMIUMS WRITTEN

	USD (000) 2014	USD (000) 2013	USD (000) 2012	USD (000) 2011	USD (000) 2010
Fire	14,195	15,772	19,811	16,948	19,932
Liability	153,058	135,092	124,197	129,144	126,766
Marine, aviation & trans	44,431	44,127	31,303	28,808	26,848
Other classes	89,872	33,027	10,206	10,782	6,091
Reinsurance	122,924	114,214	100,574	81,984	46,321
Total non-life	424,480	342,232	286,091	267,666	225,958

REINSURANCE

MIICL's reinsurance programme is placed with a panel of high quality reinsurers. In line with Markel group guidelines, reinsurers are generally required to maintain a financial strength rating of at least "A", a surplus of at least USD 500 million, and provide collateral for recoverables in excess of individually established amounts.

MIICL's premium retention rate has been stable for several years at approximately 90% of GPW. However, the company entered into a new marine quota share arrangement with Markel Bermuda Limited in 2013, which has reduced the retention rate to 82% as at December 2014.

The Markel group purchases a joint catastrophe programme for non-marine property exposures covering all group entities. This protects MIICL's delegated and open market property accounts.

GEOGRAPHICAL DISTRIBUTION OF PREMIUMS WRITTEN

	USD (000) 12/31/2014 Gross	12/31/2014 % of total	USD (000) 12/31/2013 Gross
Other Europe	47,935	11.3	39,284
United Kingdom	373,297	87.9	297,973
Total Europe	421,232	99.2	337,257
United States	3,248	0.8	4,975
Total North America	3,248	0.8	4,975
Total	424,480	100.0	342,232

BALANCE SHEET ITEMS

	USD (000) 2014	USD (000) 2013	USD (000) 2012	USD (000) 2011	USD (000) 2010
Liquid assets	1,367,674	1,278,245	1,168,356	1,109,727	1,178,758
Total investments	1,374,133	1,285,626	1,175,703	1,117,985	1,187,214
Total assets	1,652,515	1,531,084	1,338,811	1,310,969	1,397,006
Total gross technical reserves	976,079	921,255	877,498	888,556	860,917
Net technical reserves	838,890	786,824	795,771	805,011	768,511
Total liabilities	1,065,013	1,021,852	892,346	895,756	861,348
Capital & surplus	587,502	509,232	446,465	415,213	535,658

INCOME STATEMENT ITEMS

	USD (000) 2014	USD (000) 2013	USD (000) 2012	USD (000) 2011	USD (000) 2010
Gross premiums written	424,480	342,232	286,091	267,666	225,958
Net premiums written	348,959	264,793	255,772	237,151	206,546
Balance on technical account(s)	18,736	40,324	41,758	-18,815	45,059
Profit/(loss) before tax	95,650	150,388	110,810	21,480	115,455
Profit/(loss) after tax	79,291	118,168	84,712	13,716	84,508

LIQUIDITY RATIOS (%)

	2014	2013	2012	2011	2010
Total debtors to total assets	6.2	5.5	3.7	5.4	5.5
Liquid assets to net technical reserves	163.0	162.5	146.8	137.9	153.4
Liquid assets to total liabilities	128.4	125.1	130.9	123.9	136.9
Total investments to total liabilities	129.0	125.8	131.8	124.8	137.8

LEVERAGE RATIOS (%)

	2014	2013	2012	2011	2010
Net premiums written to capital & surplus	59.4	52.0	57.3	57.1	38.6
Net technical reserves to capital & surplus	142.8	154.5	178.2	193.9	143.5
Gross premiums written to capital & surplus	72.3	67.2	64.1	64.5	42.2
Gross technical reserves to capital & surplus	166.1	180.9	196.5	214.0	160.7
Total debtors to capital & surplus	17.4	16.5	11.1	17.2	14.3
Total liabilities to capital & surplus	181.3	200.7	199.9	215.7	160.8

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PROFITABILITY RATIOS (%)

	2014	2013	2012	2011	2010
Loss ratio	52.1	45.4	40.6	67.9	39.6
Operating expense ratio	36.0	40.3	41.1	38.3	36.7
Combined ratio	88.1	85.7	81.7	106.2	76.3
Net investment income ratio	11.5	13.1	17.4	19.6	22.5
Operating ratio	76.6	72.6	64.3	86.6	53.8
Return on net premiums written	22.7	44.6	33.1	5.8	40.9
Return on total assets	4.9	7.9	6.1	0.3	6.2
Return on capital & surplus	14.3	23.6	18.9	1.0	17.4

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