

Markel Corporation (NYSE: MKL)

Industry: Insurance



Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap	Combined Ratio	Revenue Growth
\$1,462.96	\$832.15	\$1,347.64	\$710.52	6.45	\$11.50B	93.48%	8.53%

Business Overview:

Markel Corporation (“MKL”) is a diverse financial holding company serving a variety of niche markets. MKL is a holding company for insurance, reinsurance, and investment operations around the world. MKL was founded by Samuel Markel in 1930 and was operated as a family business. Currently Markel is headquartered in Richmond, VA and does business all over the world.

The company can be broken down into their insurance segment and their non-insurance segment which includes their investing operations, Markel Ventures, insurance-linked securities, and program services. Markel Ventures allows the company to acquire attractive and profitable business that would provide economic benefit for the company.

Currently, the company owns and operates a family of companies outside the insurance industry, employing 14,000 people across the manufacturing, consumer, business services, financial services, and healthcare sector. Their financial goals are to earn consistent underwriting and operating profits and superior investment returns to grow shareholder value. Markel Corporation has relatively few competitors in the fronting business. They primarily compete on the basis of price, customer service, geographic coverage, financial strength ratings, licenses, reputation, business model and experience. The company has a very strong balance sheet and has successfully grown since the 2008 crisis.

Investment Thesis:

Markel Corporation has historically had a combined ratio less than 100%, which means that they are able to gain profit on their underwriting services. Markel Corporation has a 5 year average combine ratio of 96%. This means that Markel is earning more premiums than they are paying out, allowing

them to use the extra revenue in their investment portfolio to produce shareholder value. Markel Corporation is also strengthened by the additional income received from their strong acquisition portfolio. Markel Ventures differentiates the company and allows them to provide a wide range of services to their customers.

Business Risks:

- Markel Corporation is at risk to face losses in the case that a man-made or natural catastrophic occurs. This would cause Markel to have a higher payout compared to premiums earned.
- Markel is at risk of losing their reserves due to the occurrence of inflation or deflation, changes in operations, and/or economic trends changing.
- Markel Corporation faces competition risk. Competition in the insurance and reinsurance markets could reduce their underwriting profits.

5 Year Comparison to S&P 500:



Industry Trends:

MKL operates in the \$678B Property & Casualty (“P&C”) Industry, specifically in the \$50B market for Excess & Surplus (“E&S”) Lines. They hold ~5% market share and are the second largest E&S insurer in the US. MKL primarily faces competition from AIG, Berkshire Hathaway and WR Berkeley. Over the last 5 years, E&S industry average combined ratios have increased from 84 to 115.3. Meanwhile, MKL has maintained a combined ratio

averaged 96 over this same period. Lastly, there has been some M&A activity focused on niche, specialty insurance providers. HIG bought Navigators and Apollo bought Aspen Insurance.

Management:

- Thomas S Gayner
 - Is Co-Chief Executive Officer since January 2016. Previously, he was the President & CIO from 2010-2015. He has been working with Markel since 1990 and has a CPA.
- Richard R. Whitt III
 - Is Co-Chief Executive Officer since January 2016. Previously, he was the President & Co-COO from 2010-2015 and the Senior Vice President and CFO between 2005-2010 at Markel Corporation.
- Robert Cox
 - Is currently the President and Chief Operating Officer of Insurance Operation. Previously, he was working for Chubb as their Executive Vice President from 2013-2016.

ESG:

- Markel Corporation acquired a company called Nephelia, a leading investment manager specializing in reinsurance, weather risk transfer, and ESG-driven business. Offers a broad range of investment products, including insurance-linked securities, catastrophe bonds, insurance swaps, and weather derivatives.
- Markel Corporation also encourages all their employees to get involved within the community and volunteer as much as they can.