

MARKEL CORP  
Form DEF 14A  
March 26, 2007

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
  - Definitive Proxy Statement
  - Definitive Additional Materials
  - Soliciting Material Pursuant to §240.14a-12
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

**Markel Corporation**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which the transaction applies:
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(2) Aggregate number of securities to which the transaction applies:

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

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(4) Proposed maximum aggregate value of the transaction:

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.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**Notice of Annual Meeting of Shareholders**

**To the Shareholders of Markel Corporation:**

Notice is hereby given that the 2007 Annual Meeting of Shareholders of Markel Corporation (the Company ) will be held at The Jefferson Hotel, Franklin & Adams Streets, Richmond, Virginia, on Monday, May 14, 2007, starting at 4:30 p.m.

The purposes for which the meeting is being held are:

1. To elect a Board of Directors consisting of nine persons to serve until the next annual meeting of shareholders;
2. To ratify the selection of KPMG LLP by the Audit Committee of the Board of Directors as the Company s independent registered public accounting firm for the year ending December 31, 2007;
3. To approve the Company s amended Employee Stock Purchase and Bonus Plan (the Stock Purchase Plan ); and
4. To transact such other business as may properly come before the meeting.

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

A copy of the Company s Annual Report to Shareholders for the year ended December 31, 2006 is being mailed to you with this Notice and the Proxy Statement.

You are cordially invited to attend the meeting.

By Order of the Board of Directors  
D. Michael Jones  
Secretary

March 26, 2007

4521 Highwoods Parkway

Glen Allen, Virginia 23060

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**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD MAY 14, 2007**

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The accompanying proxy is solicited by the Board of Directors of Markel Corporation for use at the Annual Meeting of Shareholders of the Company to be held May 14, 2007, or any adjournments of the meeting, for the purposes set forth in this Proxy Statement and the attached Notice of Annual Meeting of Shareholders. This Proxy Statement and the related form of proxy are first being mailed to the shareholders of the Company on or about March 26, 2007.

**Record Date**

The Board of Directors has fixed the close of business on March 8, 2007, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and any adjournments. Each holder of record of the Company's Common Stock, no par value (the Common Stock), on the record date will be entitled to one vote for each share registered in his or her name with respect to each matter properly brought before the meeting. As of the close of business on the record date, 9,954,665 shares of Common Stock were outstanding and entitled to vote at the meeting. A majority of the outstanding shares on the record date constitutes a quorum for the meeting. Abstentions and broker non-votes are counted in determining a quorum.

**Solicitation**

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

**Proxies**

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

### **Votes Required**

In the election of directors, the nine nominees receiving the greatest number of votes will be elected even if they do not receive a majority. The ratification of appointment of the Company's independent registered public accounting firm and the approval of the Stock Purchase Plan each require more votes in favor than votes against. Abstentions and broker non-votes will not be counted as a vote in favor or against and therefore will not affect the outcome.

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**ELECTION OF DIRECTORS**
**Nominees**

A board of nine directors will be elected at the meeting to serve until the next annual meeting of shareholders and the election and qualification of their successors. The Company's Board of Directors currently consists of nine directors. Eight of the directors were elected by the shareholders at the 2006 Annual Meeting, and Lemuel E. Lewis was elected by the Board of Directors on February 22, 2007. All Board members are expected to attend the Company's annual meeting absent unusual circumstances. Each of the nominees named below, except for Mr. Lewis, attended the 2006 Annual Meeting.

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

The Board of Directors recommends a vote FOR the election of the nine nominees named below. It is expected that each of the nominees will be able to serve, but if any nominee is unable to serve for any reason (which is not now anticipated), the Board of Directors will name a substitute nominee, and the proxies will vote for that person.

<b>Name, Age, Positions with the Company or Principal Occupation</b>	<b>Director</b>
<b>For Past Five Years, and Other Information</b>	<b>Since</b>
ALAN I. KIRSHNER, 71 Chairman of the Board of Directors and Chief Executive Officer since September 1986.	1978
ANTHONY F. MARKEL, 65 President and Chief Operating Officer since March 1992. Director, Hilb Rogal & Hobbs Company.	1978
STEVEN A. MARKEL, 58 Vice Chairman since March 1992. Director, S&K Famous Brands, Inc.	1978
J. ALFRED BROADDUS, JR., 67 Private Investor; President, Federal Reserve Bank of Richmond, 1993-2004. Director, Albemarle Corporation, Owens & Minor, Inc. and T. Rowe Price Group Inc.	2004
DOUGLAS C. EBY, 47 Chairman and Chief Executive Officer, TimePartners LLC, an investment advisory firm, since November 2006 and President, Torray LLC, an independent money management firm, since 1992, each of which is located in Bethesda, Maryland. Director, CBRE Realty Finance, Inc.	2001
LESLIE A. GRANDIS, 62 Partner, McGuireWoods LLP, Richmond, Virginia, attorneys-at-law, since 1974.	1987
STEWART M. KASEN, 67	1987

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President, Chief Executive Officer and Director, S&K Famous Brands, Inc., a clothing retailer headquartered in Richmond, Virginia, since April 2002. President, Schwarzschild Jewelers, Richmond, Virginia, September 2001-April 2002. Director, Lenox Group, Inc.

LEMUEL E. LEWIS, 60

2007

Retired; Executive Vice President and Chief Financial Officer, Landmark Communications, Inc., a privately held media company, January 2000-July 2006; Director, Federal Reserve Bank of Richmond, Landmark Communications, Inc. and Pelmorex, Inc.

JAY M. WEINBERG, 74

2003

Chairman Emeritus, Hirschler Fleischer, a professional corporation, attorneys-at-law; member of firm since 1959. Director, First Capital Bank.

### **Family Relationships**

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



**SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

KPMG LLP has been selected by the Audit Committee of the Board of Directors as the independent registered public accountants of the Company for the current fiscal year, subject to ratification or rejection by the shareholders. Representatives of KPMG LLP are expected to be present at the annual meeting, will have an opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions from shareholders. If the shareholders do not ratify the selection of KPMG LLP, the selection of another firm will be considered by the Audit Committee. The Board of Directors recommends a vote FOR ratification of the selection of KPMG LLP as the Company's independent registered public accountants for the current fiscal year.

**Total Payments**

Total payments by the Company to KPMG LLP for 2006 and 2005 were \$4,100,020 and \$4,677,277, respectively. Further details are set forth below.

**Audit Fees**

The aggregate fees billed to the Company by KPMG LLP for audit services for 2006 and 2005 were \$3,913,227 and \$4,511,147, respectively. Approximately \$1.1 million and \$1.5 million of the 2006 and 2005 audit fees, respectively, relate to KPMG's audit of internal control over financial reporting.

**Audit-Related Fees**

The aggregate fees billed to the Company by KPMG LLP for audit-related services for 2006 and 2005 and not otherwise reported in the preceding paragraph, primarily for employee benefit plan audits, were \$59,585 and \$52,865, respectively.

**Tax Fees**

The aggregate fees billed to the Company by KPMG LLP for tax services for 2006 and 2005, primarily for tax planning, tax compliance and expatriate tax services, were \$73,751 and \$75,520, respectively.

**All Other Fees**

The aggregate fees billed to the Company by KPMG LLP for all other services for 2006 and 2005, primarily for actuarial certifications, were \$53,457 and \$37,745, respectively.

**Pre-approval of Services**

The Audit Committee pre-approves all audit services and permitted non-audit services to be performed by KPMG LLP. The Audit Committee has delegated authority for pre-approval between meetings to one or more of its members, provided any decision to grant pre-approval is presented to the full committee at its next scheduled meeting.

**APPROVAL OF STOCK PURCHASE PLAN**

The Stock Purchase Plan provides a method for employees and directors to purchase shares of the Company's Common Stock and is consistent with the Company's philosophy of encouraging ownership of the Company's Common Stock by its employees.

## **Background**

The Stock Purchase Plan has not previously been approved by shareholders. The Board of Directors authorized 100,000 shares for acquisition by participants under the Stock Purchase Plan in 2000. The shares under that authorization have been substantially used up, and the Board has authorized 100,000 additional shares for acquisition by participants under the plan. Under rules of the New York Stock Exchange ( NYSE ) adopted since 2000 that are applicable to any new authorization of shares, shareholder approval of the Stock Purchase Plan is required. The Board of Directors believes the Stock Purchase Plan serves an important purpose in encouraging and assisting share ownership by the Company s employees and recommends a vote FOR approval of the Stock Purchase Plan.

## **Eligibility**

All full-time and part-time employees of the Company or designated subsidiaries who are at least 18 years old are eligible to participate in the plan. Non-employee directors may participate in the plan subject to the following conditions: (i) shares must be held at least six months before they may be withdrawn from the plan or otherwise sold or disposed of by the director; (ii) share purchases under the plan may not exceed the amount of annual fees paid to the director (including any incentive payments under the loan program described below); and (iii) if a director ceases participation in the plan, he may not participate again for at least six months. Participation in the plan automatically terminates in the payroll period following the date an employee ceases to be a full-time or part-time employee or a non-employee director ceases serving as a director.

## **Purchase of Shares**

Once eligible employees have specified the amounts to be invested, the Company will regularly deduct the specified amount from their pay. Employees may also elect to make lump sum purchases. Amounts specified by non-employee directors are withheld from the fees paid to them by the Company. Amounts contributed by all participants are combined and sent to one or more brokers selected by the Company to be used to purchase Common Stock at market prices. Purchases may be made on the open market or, at the Company s option, directly from the Company. The investing broker opens and maintains an individual account for each participant and makes purchases of Common Stock for the participant s account. Participants accounts are credited with amounts that would represent fractional shares. Under this feature, cash amounts that are not sufficient to purchase whole shares are credited to a participant s account as fractional interests. Certificates for fractional shares are not, however, issued. Upon sale or distribution, a participant receives cash for the fractional interest based on the then current market price of the Common Stock as determined by the investing broker.

## **Fees and Expenses**

The Company pays the investing broker s fees for stock purchases. The Company also pays for the other costs of administering the plan. Fees and other charges in connection with sales are payable directly by participants.

## **Stock Bonus Awards**

Participants receive a stock bonus of ten percent of the net increase in shares of Common Stock purchased under the plan during a given year (a Stock Bonus Award ). Stock Bonus Awards are based on the net number of shares of Common Stock purchased from January 1 through

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December 31 of a given year and are issued to or on behalf of a participant not later than March 31 following the end of the year. An employee will not receive a Stock Bonus Award unless he or she is an eligible participant not on probation on the date the Stock Bonus Award is made. No Stock Bonus Award will be made for an increase in the number of shares of Common Stock held resulting solely from a subdivision or consolidation of shares, the payment of a stock dividend, a stock split or other change in capitalization. Stock Bonus Awards will be appropriately adjusted to reflect the effects of such a change. Participants in the loan program described below receive a stock bonus of five percent of the number of

shares of Common Stock purchased under the loan program. Stock bonuses under the loan program are not counted as an increase in the number of shares purchased by a participant during a calendar year.

### Loan Program

The Stock Purchase Plan includes a loan program component (the Loan Program) that was initially available to all employees and non-employee directors. The Loan Program is designed to facilitate the purchase of shares of the Company's Common Stock. As required by the Sarbanes-Oxley Act, effective July 30, 2002, new loans under the Loan Program are no longer available to directors and executive officers. Existing loans to directors and executive officers continue in accordance with their terms in effect on July 30, 2002.

The Loan Program includes an incentive payment if the Company's growth in book value goals are met. The incentive payment feature applicable to the grandfathered loans for executive officers and directors is described under Corporate Governance Certain Transactions. The incentive payment for other employee loans is based on the Company's five-year compound annual growth in book value, subject to adjustment for certain transactions in Company securities, as follows:

<b>5 year Compound Annual</b>	<b>Company Incentive Payment</b>
<b>Growth in Book Value</b>	<b>as % of</b>
<u>Growth in Book Value</u>	<u>Original Loan Balance</u>
Under 11%	0%
11%	1.25%
12%	1.50%
13%	2.00%
14%	2.50%
15%	3.00%
16%	3.75%
17%	4.50%
18%	5.00%
19%	5.50%
20%	6.25%
21%	7.25%
22%	8.50%
23%	10.00%
24%	12.50%
Over 24%	Discretionary

The Board of Directors may amend the scale as well as the method used to calculate book value growth, and all such modifications will apply to all loans (other than grandfathered loans) then outstanding under the Loan Program.

All loans made under the Loan Program bear interest at 3% and are generally due and payable within 10 years of the loan date. The loan may be prepaid at any time and must be repaid upon an employee's termination of employment, or if a non-employee director ceases to be a director. The interest rate and payment terms are adjusted to terms comparable to market rates and terms if a participant sells or pledges the shares purchased under the Loan Program (including bonus shares awarded in connection with the Loan Program) without the Company's prior consent.

**Federal Income Tax Consequences**

Stock Bonus Awards and incentive payments are taxed to participants as compensation. In addition, participants must recognize imputed income to the extent that loans under the Loan Program are at below-market interest rates.

The Company usually will be entitled to a business expense deduction at the time and in the amount that the participant recognizes ordinary income in connection with a loan or upon the receipt of a Stock Bonus Award or incentive payment. In addition, any payments of loan interest by the participant to the Company would be taxable income to the Company. Generally, the Company is not taxed on a participant's repayment of principal of a loan.

### Amendments

The Board may amend, suspend or terminate the Stock Purchase Plan at any time. The Board will seek shareholder approval of amendments to the Stock Purchase Plan to the extent required by law or, if applicable, by the rules of the NYSE.

### Benefits under the Plan

Benefits to executive officers and directors under the Stock Purchase Plan are a function of stock purchases from time to time and cannot be predicted in advance. Benefits under the plan in 2006 to executive officers and directors are described under Executive Compensation Summary Compensation Table and Corporate Governance Compensation of Non-employee Directors.

## PRINCIPAL SHAREHOLDERS

The following table and footnotes set forth information with respect to beneficial ownership of equity securities of the Company as of February 23, 2007, except as otherwise noted, by (i) each director; (ii) each executive officer named in the Summary Compensation Table; (iii) each person known to the Company to be the beneficial owner of more than 5% of its outstanding Common Stock; and (iv) all directors and executive officers of the Company as a group. For purposes of this table, beneficial ownership includes, as required by applicable regulations, shares over which a person has or shares voting or investment power. Except as otherwise indicated, each of the persons named below has sole voting and investment power with respect to the shares of Common Stock beneficially owned by that person.

### AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP

Name			Total Beneficial	
	Direct Ownership <sup>a</sup>	Other Ownership	Ownership	Percent
Alan I. Kirshner	60,300	246 <sup>b</sup>	60,546	*
Anthony F. Markel	209,060	78,491 <sup>c</sup>	287,551	2.89%
Steven A. Markel	246,527	169,055 <sup>d</sup>	415,582	4.17%
Thomas S. Gayner	23,954 <sup>e</sup>	2,447 <sup>f</sup>	26,401	*
Paul W. Springman	18,503 <sup>e</sup>	4,200 <sup>b</sup>	22,703	*
Richard R. Whitt, III	3,432 <sup>g</sup>		3,432	*
J. Alfred Broaddus, Jr.	109 <sup>h</sup>		109	*
Douglas C. Eby	3,676 <sup>i</sup>	<sup>j</sup>	3,676	*
Leslie A. Grandis	17,829 <sup>i</sup>	525 <sup>b</sup>	18,354	*

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Stewart M. Kasen	10,817 <sup>i</sup>		10,817	*
Lemuel E. Lewis				*
Jay M. Weinberg	1,254 <sup>i</sup>		1,254	*
All directors and executive officers as a group	595,461	254,964	850,425	8.54%
Ariel Capital Management LLC	1,099,203 <sup>l</sup>			11.03%

200 E. Randolph Drive, Suite 2900

Chicago, IL 60601

\* Less than 1% of class



- <sup>a</sup> Includes the following shares subject to pledges: (i) 37,500 shares pledged by Mr. Kirshner to secure delivery obligations under variable prepaid forward contracts and 12,609 shares pledged by him as collateral for loans; (ii) 138,509 shares pledged by Anthony F. Markel as collateral for loans; (iii) 30,000 shares pledged by Steven A. Markel as collateral for loans; and (iv) 250 shares held by Mr. Whitt in a brokerage margin account with respect to which there are currently no outstanding loans.
- <sup>b</sup> Owned by spouse as to which beneficial ownership is disclaimed.
- <sup>c</sup> Includes 60,000 shares held in Grantor Retained Annuity Trusts for which Anthony F. Markel is trustee and partial beneficiary. Includes 2,443 shares held in trust for his children and for which Mr. Markel is trustee and partial beneficiary. Includes 8,177 shares held as trustee for the benefit of Mr. Markel's children as to which he disclaims beneficial ownership. Includes 6,000 shares held by Mr. Markel's wife as to which he disclaims beneficial ownership. Includes 1,871 shares held by Mr. Markel's wife as trustee for the benefit of a child as to which he disclaims beneficial ownership.
- <sup>d</sup> Includes 21,859 shares held in a Grantor Retained Annuity Trust for which Steven A. Markel is trustee and partial beneficiary. Includes 4,375 shares held as trustee and partial beneficiary of a testamentary trust, 3,300 shares in a charitable remainder trust for which he is a co-trustee and in which he retains a partial interest, 81,726 shares held as co-trustee for the benefit of the Lewis C. Markel Residuary Trust, 21,950 shares held as co-trustee for the benefit of Mr. Kirshner's children, 23,845 shares held as co-trustee for the benefit of Anthony F. Markel's children, and 12,000 shares held as trustee under a trust for non-employee directors under the Company's 1989 Stock Option Plan, as to all of which shares Mr. Markel disclaims beneficial ownership.
- <sup>e</sup> Excludes 4,293 Restricted Stock Units subject to vesting requirements.
- <sup>f</sup> Includes 447 shares held as trustee for the benefit of his wife and 2,000 shares held by Mr. Gayner's wife as to all of which shares Mr. Gayner disclaims beneficial ownership.
- <sup>g</sup> Excludes 1,946 Restricted Stock Units subject to vesting requirements.
- <sup>h</sup> Excludes 1,000 Restricted Stock Units granted to Mr. Broaddus which vest ratably over a five-year period from the date of grant (August 2004) but will not be issued until 2009.
- <sup>i</sup> Excludes 1,000 Restricted Stock Units which vest ratably over a five-year period from the date of grant (May 2003) but will not be issued until 2008.
- <sup>j</sup> Based upon a Form 13F filed on February 14, 2007, Torray LLC has voting and investment power with respect to 131,705 shares of Common Stock. In accordance with written procedures adopted by Torray LLC, of which he is President, Mr. Eby exercises no voting or investment control over these shares and accordingly claims no beneficial ownership of these shares.
- <sup>k</sup> Excludes 250 Restricted Stock Units granted to Mr. Lewis that will vest in May 2008, if he remains on the Board until that time.
- <sup>l</sup> Based upon an Amended Schedule 13G/A filed on February 14, 2007. According to this filing, Ariel Capital Management, LLC has sole voting power over 882,094 of these shares and sole investment power over 1,098,649 of these shares.

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**CORPORATE GOVERNANCE**
**Committees of the Board of Directors; Director Independence**

The Board of Directors has adopted Corporate Governance Guidelines and written charters for the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. Current copies of the Corporate Governance Guidelines and the written charters for each of these committees are available to security holders on the Company's website, [www.markelcorp.com](http://www.markelcorp.com). Shareholders may also obtain printed copies of the Guidelines and the committee charters by writing Bruce Kay, Vice President of Investor Relations, at 4521 Highwoods Parkway, Glen Allen, Virginia, 23060, or by calling (800) 446-6671.

The Board of Directors held four meetings in 2006. Each director attended at least 75% of the meetings of the Board and all committees on which he served during 2006.

The following table reflects the current membership and the chair of the Audit, Compensation and Nominating/Corporate Governance Committees. Lemuel E. Lewis has not yet been named to any committees.

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

The Board has determined that each of Messrs. Broaddus, Eby, Grandis, Kasen, Lewis and Weinberg is independent of management under applicable NYSE rules and categorical standards for determining independence adopted by the Nominating/Corporate Governance Committee. In addition to the applicable NYSE rules and the categorical standards, the Board took into account the various transactions described under Certain Transactions and the fact that Steven A. Markel is a director of S&K Corporation, at which Mr. Kasen is employed; otherwise, the independent directors had no other relationships with the Company. The Board has also determined that each member of the Audit, Compensation and Nominating/Corporate Governance Committees meets applicable NYSE independence standards for service on those committees.

Under the categorical standards, a director is considered independent without further Board determination if the director meets NYSE standards, unless:

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

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

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

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

The director is an employee, or a member of his or her immediate family is an executive officer, of a company that made payments to or received payments from the Company for property or services in an

amount which, in any of the last three fiscal years, exceeds the greater of \$1,000,000 or 2% of such other company's consolidated gross revenues.

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

The director or a member of his or her immediate family receives discounted goods or services from the Company if the value of such discount exceeds \$10,000 in any single fiscal year.

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

### Executive Sessions; Communications with Directors

The non-management directors meet in executive session without management at each scheduled Board meeting and at such other times as the non-management directors deem appropriate. At each meeting of non-management directors one of the non-management directors serves as the chair or presiding director for that meeting. This role is rotated among non-management directors in alphabetical order. Any security holder or other interested party wishing to communicate with the Board of Directors as a whole, the non-management directors or an individual director should write to Board of Directors, Non-Management Directors or the individual director in care of the Company Secretary at 4521 Highwoods Parkway, Glen Allen, Virginia, 23060. Communications from security holders or other interested parties addressed in this fashion will be sent directly to the Board of Directors, the non-management directors or the individual director, as applicable.

### Compensation of Non-employee Directors

The following table sets forth compensation for the Company's non-employee directors for 2006:

Name	Fees Earned or Paid in	Stock Awards	All Other Compensation	Total
	Cash			
	(\$)	(\$)	(\$)	(\$)
J. Alfred Broaddus, Jr.	\$ 30,000	\$ 57,000	\$ 3,850	\$ 90,850
Douglas C. Eby	\$ 30,000	\$ 49,748	\$ 51,238	\$ 130,986
Leslie A. Grandis	\$ 30,000	\$ 49,748	\$ 20,583	\$ 100,331
Stewart M. Kasen	\$ 30,000	\$ 49,748	\$ 20,226	\$ 99,974
Jay M. Weinberg	\$ 30,000	\$ 49,748	\$ 9,213	\$ 88,961

Each non-employee director is paid an annual fee of \$30,000 and reimbursement of expenses incurred in connection with attending meetings.

Each of the non-employee directors in the table has been awarded 1,000 Restricted Stock Units under the Markel Corporation Omnibus Incentive Plan. Each unit represents the right to receive one share of Common Stock. The units vest ratably over five years with no shares to be issued until the end of five years. Messrs. Eby, Grandis, Kasen and Weinberg received grants in 2003 and Mr. Broaddus in 2004. The amounts

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shown in the table are the dollar amounts recognized by the Company for financial reporting purposes for 2006 in accordance with FAS 123R. Differences in reported amounts are due to differences in the dates of the awards. When Lemuel E. Lewis joined the Board in February 2007, he was granted an award of 250 Restricted Stock Units vesting in May 2008, so that he would be on the same cycle with the majority of the Board members on a going forward basis.

The Company matches up to \$5,000 per year in charitable contributions made by each non-employee director. All Other Compensation includes \$3,850 for Mr. Broaddus, \$3,250 for Mr. Grandis and \$5,000 each for Messrs. Eby, Kasen and Weinberg representing matching gifts.

Non-employee directors are also eligible to participate in the Stock Purchase Plan. Participating directors receive Stock Bonus Awards in accordance with the terms of that plan equal to 10% of the net increase in shares purchased under the plan in a calendar year. Mr. Grandis and Mr. Weinberg received bonus shares under the Stock Purchase Plan for 2006 worth \$2,107 and \$4,213, respectively.

Messrs. Kasen, Grandis and Eby have grandfathered loans under the Stock Purchase Plan Loan Program. All Other Compensation includes \$5,226, \$5,226 and \$26,238, respectively, for Messrs. Kasen, Grandis and Eby representing the difference between the interest rate charged on loans made to them under the Loan Program and 120% of the applicable federal long-term rate at the time the loans were made. In addition, based on the Company's achievement of growth in book value goals for 2006, Messrs. Kasen, Grandis and Eby received incentive payments under the Loan Program of \$10,000, \$10,000 and \$20,000, respectively, for 2006, which is reflected in All Other Compensation. See Certain Transactions.

In 1989, the Company established a Stock Option Plan for Non-Employee Directors (the Directors Plan) which provided for one-time awards to non-employee directors of options to purchase 6,000 shares of the Company's Common Stock. This plan permitted participants to defer receipt of shares of Common Stock upon exercise of options. Messrs. Grandis and Kasen have each deferred receipt of 6,000 shares each under the Directors Plan.

#### **Audit Committee**

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent auditors' qualifications and independence; and (iv) the performance of the independent auditors and the performance of the Company's internal audit function. In addition, the Committee provides an avenue for communication between internal audit, the independent auditors, financial management and the Board.

The Board of Directors has determined that all members of the Audit Committee are audit committee financial experts as defined by Item 401(h) of Regulation S-K under the Securities Exchange Act of 1934 (the Exchange Act). In making this determination the Board considered, among other things, the experience described under Election of Directors above and other relevant experience as summarized below:

Mr. Broaddus-As President of the Federal Reserve Bank of Richmond for eleven years, had ultimate oversight responsibility for financial and accounting officers preparing financial reports for the bank. A Ph.D. in economics, he spent over 34 years working for the Federal Reserve Bank. He serves on the audit committees of two other publicly traded companies and has supplemented his experience with formal training in accounting issues for corporate directors.

Mr. Eby-As Chief Executive Officer of TimePartners LLC and President of Torray LLC, supervises and has ultimate oversight responsibility for financial officers preparing financial statements. He has in excess of 20 years of experience in the investment advisory business including review and analysis of financial statements and periodic reports of numerous public and private businesses.

Mr. Kasen-As chief executive officer of several publicly traded companies, has supervised the chief financial officer and/or other accounting personnel in connection with their preparation of financial statements for the companies. He also has served on the audit committee of other publicly traded companies and has had extensive experience as a private investor in reviewing and analyzing financial statements and periodic reports of numerous public and private businesses.

Mr. Weinberg-As President of his law firm (for 15 years), he actively supervised the business and financial management of the firm. He has served, or currently serves, on the audit committee of several companies and he

has over 40 years experience as a lawyer serving numerous public and private companies. In his law practice and as a private investor, he has had extensive experience in reviewing and analyzing financial statements and periodic reports of numerous public and private businesses.

The Audit Committee held eight meetings during 2006.

### **Compensation Committee**

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

The Compensation Committee has full authority over compensation of the executive officers of the Company and makes recommendations to the Board concerning the equity component of the Board's compensation. The Committee's authority is not delegated to any other person.

The Committee annually reviews and resets the compensation of the Company's executive officers taking into account, among other factors, years of service; level of experience; areas of responsibility; the annual rate of inflation; the Company's operating performance; individual performance; and total compensation opportunities relative to compensation opportunities of other members of management of the Company and its subsidiaries. The Board of Directors conducts an annual review of director compensation, taking into account recommendations from the Committee with respect to equity-based plans in which directors participate. The Committee and the Board consider recommendations from senior management in the course of their review. Neither the Committee nor the Board has retained compensation consultants to assist it in determining the amount or form of compensation for executive officers or directors.

The Compensation Committee held four meetings during 2006.

### **Nominating/Corporate Governance Committee**

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

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



The Committee recommended to the Board the nomination of Mr. Lewis as a director. Mr. Lewis was initially recommended to the Committee for consideration as a nominee by a non-management director.

The Committee will consider candidates recommended by shareholders for consideration as directors on the same basis it evaluates other candidates. Any shareholder wishing to recommend a nominee for consideration should write to the Chairman of the Nominating/Corporate Governance Committee in care of the Company Secretary at 4521 Highwoods Parkway, Glen Allen, Virginia, 23060.

The Nominating/Corporate Governance Committee held four meetings during 2006.

#### **Code of Conduct**

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

#### **Review of Transactions with Related Persons**

Under the Company's Code of Conduct, any potential conflict of interest that involves a director or executive officer must be approved by the Board of Directors or a designated committee. At this time, all such transactions are reviewed by the Board. In connection with the Board's review, the Board is advised of the material facts relating to the transaction and makes a determination whether it is in the best interests of the Company to engage in the transaction.

#### **Certain Transactions**

##### *Loan Program*

As discussed under Approval of Stock Purchase Plan, the Stock Purchase Plan includes a Loan Program. As required by the Sarbanes-Oxley Act, effective July 30, 2002, new loans under the Loan Program are no longer available to directors and executive officers. Existing loans to directors and executive officers continue in accordance with their terms in effect on July 30, 2002.

The Loan Program includes an incentive payment if the Company's growth in book value goals are met. The incentive payment feature applicable to the grandfathered loans for executive officers and directors is based on a five-year compound annual growth in book value as follows:

<b>5 year Average Compound Annual</b>	<b>Company Incentive Payment as %</b>
<b>Growth in Adjusted Book Value Per Share</b>	<b>of Original Loan Balance</b>
<hr/>	<hr/>

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Under 15%	0%
15%	1.25%
16%	2.0%
17%	2.75%
18%	3.5%
19%	4.25%
20%	5%
21%	5.75%
22%	6.5%
23%	7.25%
24%	8.0%
25%	8.75%
Over 25%	Discretionary

The five-year average compound growth in adjusted book value per share for 2006 was 16% and, accordingly, an incentive payment equal to 2% of the original loan balance of the grandfathered loans was made.

All loans made under the Loan Program bear interest at 3% and are generally due and payable within 10 years of the loan date. The unsecured loans are full recourse and are partially amortizing, requiring a balloon payment at maturity in the case of Messrs. Gayner, Springman, Whitt and Eby and are fully amortizing in the case of Messrs. Grandis and Kasen. The loan may be prepaid at any time and must be repaid upon an employee's termination of employment, or if a non-employee director ceases to be a director. The interest rate and payment terms are adjusted to terms comparable to market rates and terms if a participant sells or pledges the shares purchased under the Loan Program (including bonus shares awarded in connection with the Loan Program) without the Company's prior consent.

The largest aggregate amount of principal and interest outstanding during 2006 on stock loans made to the named officers and directors was as follows: Douglas C. Eby \$815,384; Thomas S. Gayner \$220,220; Leslie A. Grandis \$156,793; Stewart M. Kasen \$156,793; Paul W. Springman \$934,716; and Richard R. Whitt, III \$91,796. At December 31, 2006 the amount of interest and principal outstanding on stock loans to the named officers and directors was as follows: Douglas C. Eby \$748,065; Thomas S. Gayner \$196,693; Leslie A. Grandis \$103,153; Stewart M. Kasen \$103,153; Paul W. Springman \$856,771; and Richard R. Whitt, III \$78,871.

#### *Other Transactions*

Mr. Kirshner's spouse, son-in-law and sister-in-law are each employed by a Company subsidiary as Executive Producer, Divisional Vice President and Product Line Team Leader, respectively. For 2006, total compensation to Mr. Kirshner's spouse was less than \$120,000. Total salary and performance based bonuses for Mr. Kirshner's son-in-law and sister-in-law were approximately \$343,000 and \$200,000, respectively.

The Company owns a 2/7<sup>th</sup> interest in Dominion Citation Group, L.C. ( Dominion ), a limited liability company formed to own and operate a private aircraft. The Company's initial investment in Dominion, for which it received a 1/7<sup>th</sup> interest, was approximately \$160,000. In January 2006, the Company purchased an additional 1/7<sup>th</sup> interest from Mr. Kirshner for \$134,000. Steven A. Markel also currently owns a 1/7<sup>th</sup> interest in Dominion. Ownership interests in Dominion entitle the member to use of the aircraft for a specified number of hours at rates believed to be more favorable than those generally available in the market. During 2006, the Company made total payments of approximately \$187,000 to Dominion.

Gary L. Markel is the brother of Anthony F. Markel and was a director until May 2004. Entities owned or controlled by Gary L. Markel placed insurance with and on behalf of the Company in 2006. For 2006, the Company paid approximately \$942,000 in commissions to those entities.

McGuireWoods LLP, of which Leslie A. Grandis is a partner, provides legal services to the Company. During 2006, the Company paid McGuireWoods LLP approximately \$780,000 for such services.

#### **Compensation Committee Interlocks and Insider Participation**

As noted above in Certain Transactions, the members of the Compensation Committee during 2006 were Messrs. Grandis, Eby and Weinberg. Messrs. Grandis and Eby participated in the Company's Loan Program, and Mr. Grandis is a partner in McGuireWoods LLP, which provides

legal services to the Company.

## COMMITTEE REPORTS

### Report of the Audit Committee

In performing its oversight role, the Audit Committee has reviewed and discussed the audited financial statements with management and KPMG LLP. The Audit Committee has also discussed with KPMG the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, and has received the written disclosures from KPMG regarding all independence related relationships required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees* and other professional standards and regulatory requirements. The Audit Committee has considered whether the provision of non-audit services (none of which related to financial information systems design and implementation) by KPMG is compatible with maintaining independence and has discussed with KPMG their independence. Based on the review and discussions described in this Report, and subject to the limitations on its role and responsibilities described below and in its charter, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

The Audit Committee performs the oversight role assigned to it by the Board of Directors in its charter. Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for performing an independent audit of the consolidated financial statements and internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board and for attesting to management's assertions regarding internal controls. The members of the Audit Committee are not accountants or auditors and rely without independent verification on the information provided to them and on the representations made by management and the independent registered public accounting firm. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that the Company's financial statements have been prepared in accordance with generally accepted accounting principles or that the audit of the Company's financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States).

### Members of the Audit Committee

Stewart M. Kasen, Chairman, J. Alfred Broaddus, Jr., Douglas C. Eby, Jay M. Weinberg

### Report of the Compensation Committee

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis appearing in this proxy statement. Based upon this review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

### Members of the Compensation Committee

Leslie A. Grandis, Chairman, Douglas C. Eby, Jay M. Weinberg



## COMPENSATION DISCUSSION AND ANALYSIS

The Company focuses on a business model under which the combination of underwriting profits and investment returns builds shareholder value over the long term. This focus is reflected in the Company's compensation philosophy and programs. The Company's objective is for associates, including the Company's executive officers, to earn reasonable base salaries and benefits, but have the opportunity to earn significant performance incentives based on underwriting profitability or growth in book value per share, which takes into account both the profits earned from underwriting operations and the earnings on the Company's investment portfolio. An additional feature is a strong emphasis on equity ownership, with the expectation that it will result in associates thinking and managing the Company's business like owners.

The following discussion examines each of the key elements of compensation, how they are determined, and how they fit within the overall compensation structure.

### Base Salary and Benefits

In general, base salary levels for executive officers are set by the Compensation Committee of the Board of Directors at the minimum levels believed to be sufficient to attract and retain qualified executives when considered with other components of the Company's compensation structure. For 2006, Mr. Kirshner's base salary was \$600,000, while the base salaries of Anthony F. Markel and Steven A. Markel were \$575,000. These salaries remained unchanged from levels established as of July 1, 2005.

The Compensation Committee has not engaged a compensation consultant to assist it in determining appropriate compensation levels, nor has it engaged in any formal benchmarking processes. The Committee has instead relied on the general knowledge, experience and good judgment of its members, both with regard to competitive compensation levels and the relative success that has been achieved by the Company. In addition, the Committee takes into account years of service; level of experience; areas of responsibility; the annual rate of inflation; the Company's operating performance; individual performance; and total compensation opportunities relative to compensation opportunities of other members of management of the Company and its subsidiaries.

By way of reference, while the Company and its predecessors have been in business for over 75 years, the Company has been publicly held only since 1986. Mr. Kirshner, Anthony F. Markel and Steven A. Markel were members of the Company's senior management at that time, holding positions of responsibility comparable to those they hold today. At the time of the initial public offering, the Company's total assets were approximately \$60 million, and its equity market capitalization was approximately \$40 million. At December 31, 2006, the Company's total assets had grown to over \$10 billion and its equity market capitalization was in excess of \$4.7 billion. Meanwhile, Mr. Kirshner's base salary has gone from \$165,000 per year to \$600,000 per year, while the base salaries for Anthony F. Markel and Steven A. Markel have gone from \$150,000 per year to \$575,000 per year.

The base salaries for Messrs. Gayner, Springman and Whitt are also set by the Compensation Committee, taking into account the factors discussed above, upon recommendation of Mr. Kirshner, Anthony F. Markel and Steven A. Markel. Effective July 1, 2006, the base salaries for Messrs. Gayner and Springman were increased from \$450,000 to \$475,000 annually, and Mr. Whitt's base salary was increased from \$315,000 to \$395,000 annually. The relatively larger increase for Mr. Whitt reflects his recent assumption of the role of Chief Financial Officer and an effort over time to bring his compensation into an appropriate range for that position.

The Company offers a competitive package of employee welfare benefits, in which executive officers participate on the same basis as other salaried associates. The Company's Retirement Savings Plan is a defined contribution plan qualified under Sections 401(a) and 401(k) of the



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Internal Revenue Code. Each of the executive officers participated in the plan in 2006 and received the maximum Company match under the plan (\$19,800) for the year. There is no supplemental benefit plan for executive officers with respect to the Retirement Savings Plan or any employee welfare plan.

Until December 31, 2004, the Company provided deferred compensation benefits to Mr. Kirshner, Anthony F. Markel and Steven A. Markel in accordance with the terms of their employment contracts, which had been in effect, with some modifications, since 1986. Following the passage of the American Jobs Creation Act of 2004, these arrangements were frozen, and a corresponding increase was made to their base salaries. No new contributions have been made since that date, although the outstanding balances accrue interest at an annual rate of 8%. The deferred compensation benefits payable under these arrangements are unfunded.

### **Incentive Compensation**

The Company's incentive compensation program for executive officers generally consists of two elements—cash incentive compensation paid under the Executive Bonus Plan and Restricted Stock Units issued under the Omnibus Incentive Plan. All executive officers participate in the Executive Bonus Plan. Messrs. Gayner, Springman and Whitt have received Restricted Stock Unit awards under the Omnibus Incentive Plan. Mr. Kirshner, Anthony F. Markel and Steven A. Markel do not participate in the Omnibus Incentive Plan at their request because of both the substantial ownership of Common Stock they already have and their belief that the benefits of Restricted Stock Unit awards to the Company and to the individuals involved were more significant in the case of other members of management.

Awards under both plans are subject to the achievement of pre-established performance goals. The performance measure used in both plans is the same—compound growth in book value per share.

Mr. Kirshner, Anthony F. Markel and Steven A. Markel received awards for 2006 based on a five-year average of the compound growth in book value per share of Common Stock. Messrs. Gayner, Springman and Whitt received awards under the plan for 2006 based on the four-year average of the compound growth in book value per share beginning January 1, 2003. Growth in book value per share over a period of several years has been selected as the performance goal under both plans based on a belief that consistent increases in book value will enhance the value of the Company and will, over time, benefit shareholders through higher stock prices. Before 2003, Messrs. Gayner and Springman received bonuses based on investment results and underwriting results, respectively. When they were shifted to incentive compensation based on book value growth, the measurement period began effective January 1, 2003 and will be continued on that basis until a five-year average is reached, which will occur in 2007. When Mr. Whitt became an executive officer in May 2005 and began to participate in the Executive Bonus Plan, his incentive compensation was calculated on the same basis as Messrs. Gayner and Springman.

Book value calculations may be modified by the Compensation Committee to reflect transactions not in the ordinary course which may affect book value including, but not limited to, share issuances or conversions, share repurchases, dividends or other distributions affecting book value. The Compensation Committee has excluded the effect of share repurchases from book value calculations because the repurchases necessarily reduce book value per share, given the excess of the market price for Common Stock over its book value, and the Committee does not wish to penalize management for recommending repurchases that may be in the best interests of shareholders generally. For the year ending December 31, 2006, the five-year average of the compound growth in book value per share, as adjusted for share repurchases, was 16%, and the four-year average, as adjusted, was 18%.

As illustrated in the discussion below and in the tabular and other information under Executive Compensation, if the Company achieves excellent performance over a multi-year period, Mr. Kirshner, Anthony F. Markel and Steven A. Markel have the potential, if the Company performs at consistently high levels, to receive over two-thirds of their total compensation in the form of incentive compensation, while Messrs. Gayner, Springman and Whitt have the potential to receive over 80% of their total compensation in the form of incentive compensation. While the Company believes it is important to provide incentive compensation at these levels, it believes it is equally important to pay it only as a result of sustained performance and not performance for any single year.

*Executive Bonus Plan*

The Executive Bonus Plan has been approved by shareholders. The plan is administered by the Compensation Committee (or a sub-committee). The Compensation Committee has the power and complete discretion to select eligible employees to receive awards and to determine the type of award and its terms and conditions. Executive officers of the Company who the Compensation Committee determines have contributed or who can be expected to contribute significantly to the Company are eligible to receive awards under the plan.

The plan is designed so that payments will not be subject to the \$1,000,000 deduction limit under Section 162(m) of the Internal Revenue Code. Awards are subject to the achievement of pre-established performance goals and are administered to comply with the requirements of Section 162(m).

As discussed above, performance goals relate to growth in book value. The Compensation Committee sets the amounts payable under each performance award. The employee receives the appropriate payment at the end of the performance period (generally, a fiscal year) if the performance goals and other terms and conditions of the award are met. Awards are payable in cash. Under the terms of the plan, the aggregate maximum cash amount payable under the plan to any employee in any year cannot exceed the lesser of 250% of base salary or \$2,500,000. Any performance award must be made before the 90<sup>th</sup> day of the period for which the performance award relates and before the completion of 25% of the period.

Bonus targets for 2006 under the plan were set by the Compensation Committee in March 2006 on a basis similar to that for 2005. After further review and analysis at subsequent meetings, the Compensation Committee determined that an adjustment to the bonus scale used, retroactive to January 1, 2006, was appropriate in order to maintain competitiveness and internal pay equity. For 2006, this adjustment was implemented by way of a supplemental bonus award, which was separate and distinct from the award under the Executive Bonus Plan. The terms and conditions of the supplemental bonus award were otherwise the same as those under the plan in all material respects, except that no limit was fixed on the amount payable under the supplemental award. Amounts payable under the supplemental bonus awards will count against the \$1,000,000 limit on deductibility under Section 162(m); however, the Company does not anticipate that any material amount of cash compensation for 2006 will not be deductible.

For 2007 and future years, the Compensation Committee anticipates using a bonus scale under the Executive Bonus Plan that is similar to the Aggregate Bonus category in the table on page 23 under Non-Equity Incentive Plan Awards, effectively implementing the mid-year adjustment from 2006 on an ongoing basis. The Committee initiated the review and adjustment in 2006 following an analysis of incentive compensation payments for 2005. Associates at the Company's insurance subsidiaries are paid bonuses based primarily on underwriting results. For 2005, over 30 associates received bonuses that were larger than those paid to the Company's executive officers. The Company's compensation philosophy, as noted above, is to provide the opportunity for significant incentive compensation throughout the organization based on performance, and such results may happen again in the future. At the same time, however, the Compensation Committee believes it is important to provide a more consistent and more competitive incentive opportunity at the executive officer level to ensure that the Company can attract and retain executive talent, whether from its own insurance subsidiaries or from outside the Company. The Compensation Committee also believes that the best way to achieve this result was to implement the changes to the bonus scale set forth in the table.

In addition, while the Executive Bonus Plan caps incentive compensation paid to any individual at the lesser of 250% of base salary or \$2,500,000, the Compensation Committee reserves the right to approve supplementary bonuses above those levels in the case of compound growth in book value per share exceeding 20% or other special circumstances.

*Omnibus Incentive Plan*

The Compensation Committee also approved Restricted Stock Unit awards for Messrs. Gayner, Springman and Whitt, as well as other non-executive officers who are members of management of the Company and its subsidiaries, in March 2006 under the Company's Omnibus Incentive Plan. These awards were made on a basis similar to that for 2005 and preceding years. Under the awards to Messrs. Gayner, Springman and Whitt, Restricted Stock Units, expressed in dollars as a percentage of base salary, would be awarded based on growth in book value per share of Common Stock averaged for the period from January 1, 2003 to December 31, 2006. Each Restricted Stock Unit represents the right to receive one share of Common Stock.

Based on the further review and analysis discussed above, the Compensation Committee determined that an adjustment to the scale used for the awards to Messrs. Gayner, Springman and Whitt was appropriate in order to maintain competitiveness and internal pay equity. For 2006, this adjustment was implemented by way of a supplemental Restricted Stock Unit award, which was separate and distinct from the March 2006 award. The table on page 24 under "Stock Awards" shows potential value of Restricted Stock Unit grants under the initial award and under the supplemental award, as well as the aggregate amounts that could be paid under both, expressed as a percentage of base salary.

Awards of Restricted Stock Units are generally administered as performance grants, designed so that payments will not be subject to the \$1,000,000 deduction limit under Section 162(m); however, amounts payable in respect of the supplemental Restricted Stock Unit awards will count against the \$1,000,000 limit on deductibility under Section 162(m), but not until the year in which the applicable restrictions lapse.

As noted above, the four-year average of the compound growth in book value per share, as adjusted for share repurchases, from January 1, 2003 through December 31, 2006 was 18%, resulting in an award of 1,447 Restricted Stock Units each to Messrs. Gayner and Springman and 1,204 Restricted Stock Units to Mr. Whitt, based on the closing price of Common Stock on February 22, 2007, the date of determination by the Compensation Committee that the performance conditions had been satisfied. This determination is made annually at a committee meeting held in conjunction with the February meeting of the Board of Directors or, if the necessary financial information is not available at that time, as soon as practicable thereafter.

The Restricted Stock Units provide for "cliff" vesting (i.e., all at once, not ratably) five years after the end of the year for which the award is made. The Restricted Stock Units granted for 2006 will therefore vest on December 31, 2011. Early vesting, in whole or in part, may occur upon death, disability, retirement, following a change in control and job loss or if the Compensation Committee determines the executive officer had an approved termination of employment. Even upon early vesting, the shares will generally not be issued until the end of the five-year period. The awards and shares received under them may be subject to forfeiture and/or partial recapture if (i) the executive officer is terminated for cause, (ii) the executive officer becomes associated with a business that competes with the Company, or (iii) the Compensation Committee determines the executive officer has engaged in conduct detrimental to the interests of the Company.

Based on the revised scales implemented in July 2006, which are expected to be followed in future grants to executive officers, Messrs. Gayner, Springman and Whitt have the potential to earn equal amounts of incentive compensation in the form of cash and Restricted Stock Units. Paying a substantial portion of the incentive compensation in Restricted Stock Units has the advantage of both increasing the executive officers' equity ownership in the Company (which is aligned with the Company's emphasis on equity ownership by associates) and furnishing a retention incentive (i.e., the executive officer must remain employed by the Company in order to be assured of vesting in the stock).

**Stock Ownership Guidelines**

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The Company places a strong emphasis on equity ownership by executive officers and other members of senior management. The Board of Directors has adopted stock ownership guidelines that require executive

officers to acquire and maintain ownership of Common Stock with a value at least equal to five times base salary and other members of senior management to acquire and maintain ownership of Common Stock with a value at least equal to three times base salary. Newly hired or newly promoted executives are expected to reach these minimum levels of ownership within three to five years. Restricted stock unit awards are not considered owned for this purpose until fully vested, nor are shares as to which the economic risks of ownership are hedged. All executive officers meet or exceed these guidelines, except Mr. Whitt, who was promoted to his current position in May 2005.

### **Perquisites**

The Company provides limited perquisites to its executive officers as described in the footnotes to the Summary Compensation Table. The principal perquisite offered to executive officers is the ability to receive investment advisory services from Markel-Gayner Asset Management Corporation, a subsidiary of the Company, at a discounted rate, which the Company believes is an efficient way for the Company to assist executive officers, if they so choose, with management of their personal or family investment portfolio.

### **Employment Agreements**

The Company has entered into employment agreements with each of its executive officers. The material terms of these agreements and the severance benefits payable under various scenarios are described under the heading Potential Payments Upon Termination or Change in Control.

Each of the employment agreements provides assurances to the Company with regard to the availability of the executive's services, provides protection for the Company's confidential information and trade secrets, and restricts the ability of the executive officers to compete with the Company during their employment and after its termination. In return, the executive officers are provided assurances with regard to salary, other compensation and benefits, as well as severance benefits if their employment is terminated by the Company other than for cause. For this purpose, cause includes neglect of duties; willful misconduct; conduct that may result in material injury to the reputation of the Company; active disloyalty; inability to maintain or obtain required regulatory approvals; or breach of obligations relating to confidential information, trade secrets or restrictions on competing with the Company.

In addition, Messrs. Gayner, Springman and Whitt are provided additional assurances following a Change in Control. In such a situation, they would receive enhanced severance benefits, but only if their employment were terminated without cause or if they chose to terminate their employment for Good Reason. See Potential Payments Upon Termination or Change in Control for a description of the benefits payable and for definitions of these terms. This additional, double trigger protection has been provided to Messrs. Gayner, Springman and Whitt because they are considered more vulnerable in a Change in Control context due to their positions with the Company, their relative levels of equity ownership and the stage of their careers. The employment agreements for Mr. Kirshner, Anthony F. Markel and Steven A. Markel do not include additional Change in Control protections because they are not perceived to be necessary in their cases.

None of the employment agreements with the Company's executive officers include provisions for tax gross-ups, in respect of the parachute payment tax imposed by Section 280G of the Internal Revenue Code or otherwise.

### **Tax and Accounting Treatment**

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Section 162(m) of the Internal Revenue Code of 1986 imposes a \$1,000,000 limit on the amount of U. S. compensation that will be deductible for U. S. tax purposes by the Company with respect to each of the Chief Executive Officer and the four other most highly compensated executive officers. Performance based compensation (such as Restricted Stock Unit awards and cash incentive payments under the Executive Bonus

Plan described above) that meets certain requirements will not be subject to the deduction limit. As was the case with a portion of the incentive payments for 2006, the Compensation Committee retains discretion to make bonus payments outside of the Executive Bonus Plan or to award grants under the Omnibus Incentive Plan that will count against the \$1,000,000 limit, but the Committee does not currently expect to do so on a regular basis. The Compensation Committee will continue to monitor the impact of the Section 162(m) limit and will attempt to minimize the loss of tax deductions in future years as long as doing so is consistent with its objectives for management compensation.

Compensation expense with respect to Restricted Stock Units under the Omnibus Incentive Plan is fixed for accounting purposes based on the fair value of the award at the grant date, i.e., the date on which the Compensation Committee determines the number of Restricted Stock Units to be awarded. The compensation expense is recognized over the period ending when the awards vest.

### EXECUTIVE COMPENSATION

The following table provides compensation information for the Company's principal executive officer, principal financial officer and other executive officers.

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Stock Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total Compensation
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Alan I. Kirshner	2006	\$ 600,000	-0-	\$ 600,000	\$ 6,336	\$ 44,207	\$ 1,250,543
Chairman and Chief Executive Officer							
Anthony F. Markel	2006	\$ 575,000	-0-	\$ 525,000	\$ 29,474	\$ 58,369	\$ 1,187,843
President and Chief Operating Officer							
Steven A. Markel	2006	\$ 575,000	-0-	\$ 575,000	\$ 21,833	\$ 66,897	\$ 1,238,730
Vice Chairman							
Thomas S. Gayner	2006	\$ 462,019	\$ 269,262	\$ 712,500	-0-	\$ 34,221	\$ 1,478,002
Executive Vice President and Chief Investment Officer							
Paul W. Springman	2006	\$ 462,019	\$ 269,262	\$ 712,500	-0-	\$ 71,742	\$ 1,515,523
Executive Vice President							
Richard R. Whitt, III	2006	\$ 353,462	\$ 138,220	\$ 592,500	-0-	\$ 152,550	\$ 1,236,732
Senior Vice President and Chief Financial Officer							



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In accordance with applicable rules of the Securities and Exchange Commission, the Summary Compensation Table omits information regarding group life, health, hospitalization and medical reimbursement plans that do not discriminate in scope, terms or operation in favor of executive officers or directors and that are available generally to all salaried employees. This table also excludes the value of perquisites if they do not exceed \$10,000.

Messrs. Gayner, Springman and Whitt have been awarded Restricted Stock Units under the Company's Omnibus Incentive Plan. See Grants of Plan-Based Awards and Outstanding Equity Awards at Fiscal Year-End. The amounts shown in the table under Stock Awards are the dollar amounts recognized by the Company for financial reporting purposes for 2006 in accordance with FAS 123R.

Non-Equity Incentive Plan Compensation consists of amounts paid under the Company's Executive Bonus Plan and supplemental bonus awards for performance in 2006. See Grants of Plan-Based Awards Non-Equity Incentive Plan Awards for a discussion of these payments and to compare amounts actually paid out as reflected in the Summary Compensation Table with potential payouts at various performance levels.

Nonqualified Deferred Compensation Earnings for Mr. Kirshner, Anthony F. Markel and Steven A. Markel represent the difference between 8%, the rate at which amounts of deferred compensation previously set aside accrue interest, and 5.72%, which is 120% of the applicable federal long-term rate at the time the obligation was incurred.

All Other Compensation includes the following:

The Company's contributions under the Company's Retirement Savings (401k) Plan in the amount of \$19,800 for each person named in the Summary Compensation Table.

For Messrs. Gayner, Springman and Whitt, \$7,221, \$28,679 and \$2,841, respectively, representing the difference between the interest rate charged on loans made to them under the Stock Purchase Plan Loan Program and 120% of the applicable federal long-term rate at the time the loan was made. In addition, based on the Company's achievement of growth in book value goals for 2006, Messrs. Gayner, Springman and Whitt received incentive payments under the Loan Program of \$7,200, \$23,262 and \$3,500, respectively, for 2006.

Markel-Gayner Asset Management Corporation, a Company subsidiary, provides investment advisory services to the Company and private clients. Directors and executive officers of the Company may receive a 50% discount on the fees charged by Markel-Gayner. The amount of the discount in 2006 included in All Other Compensation for the following individuals and/or trusts or other entities related to them was as follows: Alan I. Kirshner \$24,407; Anthony F. Markel \$35,646; and Steven A. Markel \$44,297.

Mr. Whitt received tax equalization payments of \$126,409 in 2006 associated with his prior assignment to Markel International Limited in London.

The only other perquisites provided were income tax preparation services for certain executive officers, which did not exceed \$3,000 for any individual, and incidental perquisites associated with maintaining an office.

## GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards*			All Other Stock Awards: Number of Units	Grant Date Fair Value of Stock Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)		
Alan I. Kirshner	3/2/2006	\$ 150,000	\$ 450,000	\$ 1,500,000					
	7/18/2006	\$ 150,000	\$ 150,000	**					
Anthony F. Markel	3/2/2006	\$ 143,750	\$ 431,250	\$ 1,437,500					
	7/18/2006	\$ 143,750	\$ 143,750	**					
Steven A. Markel	3/2/2006	\$ 143,750	\$ 431,250	\$ 1,437,500					
	7/18/2006	\$ 143,750	\$ 143,750	**					
Thomas S. Gayner	3/2/2006							521	\$ 168,804
	3/2/2006	\$ 118,750	\$ 356,250	\$ 1,187,500	\$ 89,062.50	\$ 267,187.50	\$ 890,625		
	7/18/2006	\$ 118,750	\$ 118,750	**	\$ 148,437.50	\$ 207,812.50	***		
Paul W. Springman	3/2/2006							521	\$ 168,804
	3/2/2006	\$ 118,750	\$ 356,250	\$ 1,187,500	\$ 89,062.50	\$ 267,187.50	\$ 890,625		
	7/18/2006	\$ 118,750	\$ 118,750	**	\$ 148,437.50	\$ 207,812.50	***		
Richard R. Whitt, III	3/2/2006							365	\$ 118,260
	3/2/2006	\$ 98,750	\$ 296,250	\$ 987,500	\$ 74,062.50	\$ 222,187.50	\$ 740,625		
	7/18/2006	\$ 98,750	\$ 98,750	**	\$ 123,437.50	\$ 172,812.50	***		

\* When targets are set, potential awards are expressed as a percentage of salary (with the reference amount being base salary at year end). The number of units awarded is determined by dividing the dollar amount by the fair market value of Common Stock on the date that the Compensation Committee certifies that the performance goals have been met.

\*\* If maximum amounts had been paid out under the March 2, 2006 awards, any additional amounts payable under the July 18, 2006 awards would have been at the discretion of the Compensation Committee.

\*\*\* Maximum amounts payable under the March 2, 2006 awards and the July 18, 2006 awards, in the aggregate would have been \$950,000 for each of Messrs. Gayner and Springman and \$790,000 for Mr. Whitt. Any additional amounts payable would have been in the discretion of the Compensation Committee.

This table shows all grants of awards under the Company's incentive plans made during 2006. Some of the grants shown represent compensation paid for 2005. The remainder represent compensation potentially payable for 2006.

Amounts shown for Messrs. Gayner, Springman and Whitt in the All Other Stock Awards column are Restricted Stock Units awarded to them in March 2006 with respect to achievement of 2005 performance goals. The Grant Date Fair Value of Stock Awards column shows the fair value of these awards for financial reporting purposes under FAS 123R.

Amounts shown in the Non-Equity Incentive Plan Awards and Equity Incentive Plan Awards columns for all executive officers reflect potential payouts for 2006 to each executive officer at threshold, target and maximum performance levels. To compare these potential payouts with amounts actually paid, see the Summary Compensation Table and the discussion below under Non-Equity Incentive Plan Awards and Stock Awards.

*Non-Equity Incentive Plan Awards*

For 2006, Mr. Kirshner, Anthony F. Markel and Steven A. Markel received awards under the Company's Executive Bonus Plan, expressed as a percentage of base salary, based on a five-year average of the compound growth in book value per share of Common Stock as reflected in the schedule below. Messrs. Gayner, Springman

and Whitt received awards under the plan for 2006 based on the four-year average of the compound growth in book value per share beginning January 1, 2003. Bonus targets for 2006 under the plan were initially set by the Compensation Committee in March 2006. After further review and analysis at subsequent meetings, the Compensation Committee determined that an adjustment to the bonus scales used, retroactive to January 1, 2006, was appropriate in order to maintain competitiveness and internal pay equity. For 2006, this adjustment was implemented by way of a supplemental bonus award, which was separate and distinct from the award under the Executive Bonus Plan. The table below shows potential bonus awards under the plan and under the supplemental bonus award, as well as the aggregate amounts that could be paid under both, expressed as a percentage of base salary.

The five-year average of the compound growth in book value for the period ending December 31, 2006 was 16%, yielding an aggregate bonus of 100% of base salary for Mr. Kirshner, Anthony F. Markel and Steven A. Markel. The four-year average of the compound growth in book value was 18%, yielding an aggregate bonus of 150% of base salary for Messrs. Gayner, Springman and Whitt. At Anthony F. Markel's request, the Compensation Committee reduced the bonus to which he otherwise would have been entitled by \$50,000, and he was granted authority to designate a Company associate to receive a discretionary bonus in an equivalent amount. Actual payments to the executive officers under the Executive Bonus Plan and the supplemental bonus award are shown in the Summary Compensation Table under Non-Equity Incentive Plan Compensation.

Average Compound Growth In Book Value Per Share	Bonus as % of Base		
	Bonus as % of Base Salary under the Plan	Salary under the Supplemental Award	Aggregate Bonus as % of Base Salary
Under 11%	0%	0%	0%
11%	25%	25%	50%
12%	30%	30%	60%
13%	40%	30%	70%
14%	50%	30%	80%
15%	60%	30%	90%
16%	75%	25%	100%
17%	90%	35%	125%
18%	100%	50%	150%
19%	110%	65%	175%
20%	125%	75%	200%
21%	145%	*	**
22%	170%	*	**
23%	200%	*	**
24%	250%	*	**

\* Additional amounts may be paid at these performance levels in the discretion of the Compensation Committee.

\*\* Aggregate amounts payable at these levels would be the amount payable under the plan plus any discretionary amount payable under the supplemental award.

#### Stock Awards

The Compensation Committee also approved performance-based Restricted Stock Unit awards for Messrs. Gayner, Springman and Whitt in March 2006 under the Company's Omnibus Incentive Plan. Each unit represents the right to receive one share of Common Stock. Under the awards, Restricted Stock Units, expressed in dollars as a percentage of base salary, are awarded based on growth in book value per share of Common Stock averaged for the period from January 1, 2003 to December 31, 2006. Based on the further review and analysis discussed above, the Compensation Committee determined that an adjustment to the scales used for the awards to Messrs. Gayner, Springman and Whitt was

appropriate in order to maintain competitiveness and internal pay

equity. For 2006, this adjustment was implemented by way of a supplemental Restricted Stock Unit award, which was separate and distinct from the March 2006 award. The schedule below shows potential Restricted Stock Unit grants under the initial award and under the supplemental award, as well as the aggregate amounts that could be paid under both, expressed as a percentage of base salary.

The four-year average compounded growth in book value was 18%, resulting in aggregate payouts at a level of 150% of base salaries. As a result, Messrs. Gayner and Springman each received 1,447 Restricted Stock Units in February 2007, and Mr. Whitt received 1,204 Restricted Stock Units. The number of Restricted Stock Units is based on the closing price of Common Stock on the NYSE on February 22, 2007, the date on which the Compensation Committee certified achievement of performance goals. The Restricted Stock Units are generally subject to a five-year cliff vesting schedule that ends on December 31, 2011. See Outstanding Equity Awards at Fiscal Year-End for additional information on vesting.

Average Compound Growth In Book Value Per Share	Value of Restricted Stock		Aggregate Value of Restricted Stock Units as % of Base Salary
	Units as % of Base Salary under the Initial Award	Value of Restricted Stock Units as % of Base Salary under the Supplemental Award	
Under 11%	0%	0%	0%
11%	18.75%	31.25%	50%
12%	22.5%	37.5%	60%
13%	30%	40%	70%
14%	37.5%	42.5%	80%
15%	45%	45%	90%
16%	56.25%	43.75%	100%
17%	67.5%	57.5%	125%
18%	75%	75%	150%
19%	82.5%	92.5%	175%
20%	93.75%	106.25%	200%
21%	108.75%	*	**
22%	127.5%	*	**
23%	150%	*	**
24%	187.5%	*	**

\* Additional Units may be awarded at these performance levels in the discretion of the Compensation Committee.

\*\* Aggregate amounts payable at these levels would be the amount payable under the initial award plus any discretionary amount payable under the supplemental award.

#### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Stock Awards	
	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Thomas S. Gayner	(#) 2,846*	(\$) \$1,366,364
Paul W. Springman	2,846*	\$1,366,364
Richard R. Whitt, III	742**	\$ 356,234

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\* Restricted Stock Units for Messrs. Gayner and Springman vest at December 31 of the indicated years as follows: 2008-1,238; 2009-1,087; and 2010-521.

\*\* Restricted Stock Units for Mr. Whitt vest of December 31 of the indicated years as follows: 2008-232; 2009-145; and 2010-365.



The stock awards reflected in the table are Restricted Stock Units under the Company's Omnibus Incentive Plan awarded for performance in the years 2003-2005. Values are based on the fair market value of shares of Common Stock on December 31, 2006 (\$480.10 per share). The Restricted Stock Units provide for cliff vesting (i.e., all at once, not ratably) five years after the end of the year for which the award is made. Early vesting, in whole or in part, may occur upon death, disability, retirement, following a change in control and job loss or if the Compensation Committee determines the executive had an approved termination of employment. Even upon early vesting the shares will generally not be issued until the end of the five-year period. The awards and shares received under them may be subject to forfeiture and/or partial recapture if (i) the executive is terminated for cause, (ii) the executive becomes associated with a business that competes with the Company, or (iii) the Committee determines the executive has engaged in conduct detrimental to the interests of the Company. Holders of Restricted Stock Units are not entitled to receive any dividends before vesting and issuance of the shares underlying the units.

**OPTION EXERCISES AND STOCK VESTED**

No named executive officers have any outstanding stock options. No restricted stock or Restricted Stock Units vested for any of the named executive officers during the last fiscal year.

**NONQUALIFIED DEFERRED COMPENSATION**

Name	Aggregate Earnings in	Aggregate Balance at
	Last Fiscal Year	December 31, 2006
	(\$)	(\$)
Alan I. Kirshner	\$ 22,230	\$ 300,105
Anthony F. Markel	\$103,419	\$1,396,156
Steven A. Markel	\$ 76,607	\$1,034,189

Employment agreements between the Company and Mr. Kirshner, Anthony F. Markel and Steven A. Markel previously provided for Company contributions to deferred compensation accounts. In response to the American Jobs Creation Act of 2004 (AJCA), which among other matters imposes excise taxes on certain types of deferred compensation, the agreements were amended as of January 1, 2005 to eliminate ongoing deferrals while grandfathering deferrals made before December 31, 2004. Amounts of deferred compensation previously set aside continue to accrue interest at the rate of 8% per annum compounded annually. The deferred compensation benefit is payable at a time elected by the executive or, failing an election, upon the executive's death or termination of employment. Payments may be limited to the extent necessary to prevent the payments from becoming non-deductible to the Company under Section 162(m) of the Internal Revenue Code. The amounts in the Aggregate Balance column that represent Company contributions were reported as compensation in the Summary Compensation Table in previous years.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The Company has entered into employment agreements with Mr. Kirshner, Anthony F. Markel and Steven A. Markel which provide for the employment of those individuals as executive officers. Each agreement has an initial term of one year and is automatically renewed for additional terms of one year unless either party gives 90 days notice of non-renewal. If the Company chooses not to renew, the Company will be deemed to have terminated the executive's employment without cause.

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Each executive has agreed to preserve the confidentiality of the Company's proprietary data and has also agreed not to compete with the Company for a period of two years following termination. Upon an executive's death or disability, the Company will continue to pay base salary for twelve months. If the agreement is terminated by the Company for cause or voluntarily by the executive, the Company's obligations under the

agreement will terminate. If the agreement is terminated by the Company without cause, the Company will pay the executive his base salary and provide continuing benefits for 24 months from the date of termination (beginning six months after termination if certain AJCA provisions apply). In addition, subject to compliance with the covenants in his employment agreement regarding confidentiality and non-competition, at the end of such 24-month period, the executive will be entitled to receive a lump sum payment equal to twice the amount of bonus, if any, paid to him for the calendar year preceding the year in which termination occurs. The agreements also provide for annual salary reviews, bonuses by the Board of Directors, five weeks of annual vacation and participation in health, 401(k) and other benefit plans available to all U.S. employees.

The Company has entered into similar agreements with Messrs. Gayner, Springman and Whitt, with differences principally in the duration of the non-competition provision (which extends for twelve months), in termination compensation, and in the absence of any provision for deferred compensation. These agreements provide for the payment of salary and benefits for twelve months if the executive's employment is terminated without cause or, following a Change in Control, the executive voluntarily terminates employment for Good Reason. In the case of either termination without cause or voluntary termination for Good Reason following a Change in Control, subject to compliance with the covenants in his employment agreement regarding confidentiality and non-competition, at the end of such 12-month period, the executive will also be entitled to receive a lump sum payment equal to the amount of bonus, if any, paid to him for the calendar year preceding the year in which termination occurs. For these purposes Good Reason means a reduction in aggregate salary and bonus opportunity; a material reduction in duties or responsibilities; a material change in working conditions compared to similarly situated executives; or a change by more than 50 miles in the location from which the executive is expected to perform his duties. Change in Control means generally the liquidation or dissolution of the Company; the acquisition of 20% or more of the Company's outstanding shares; a business combination involving the Company or a change in a majority of the incumbent Board of Directors of the Company, in each case unless the owners of 50% or more of the Company's outstanding voting securities before the transaction remain the owners of 50% or more of the outstanding voting securities of the Company or other resulting entity following a transaction.

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The estimated payments and benefits that would be provided upon termination under the various scenarios set forth above are quantified in the following table, assuming termination of employment took place on December 31, 2006. If the executive breached the covenants in his employment agreement regarding competition or confidential information, the Company would not be obligated to continue making payments.

Name	Termination			Termination
	Death or	Voluntary	Termination	for Good
	Disability	by Executive	without	Reason After
			Cause	Change in
				Control*
<b>Alan I. Kirshner</b>				
Payments				
	\$ 600,000	-0-	\$ 1,500,000	
Benefits	-0-	-0-	\$ 18,066	N/A
<b>Anthony F. Markel</b>				
Payments				
	\$ 575,000	-0-	\$ 1,437,500	
Benefits	-0-	-0-	\$ 18,066	N/A
<b>Steven A. Markel</b>				
Payments				
	\$ 575,000	-0-	\$ 1,437,500	
Benefits	-0-	-0-	\$ 18,066	N/A
<b>Thomas S. Gayner</b>				
Payments				
	\$ 475,000	-0-	\$ 475,000	\$ 700,000
Benefits	-0-	-0-	\$ 9,033	\$ 9,033
<b>Paul W. Springman</b>				
Payments				
	\$ 475,000	-0-	\$ 475,000	\$ 700,000
Benefits	-0-	-0-	\$ 9,033	\$ 9,033
<b>Richard R. Whitt, III</b>				
Payments				
	\$ 395,000	-0-	\$ 395,000	\$ 602,500
Benefits	-0-	-0-	\$ 9,033	\$ 9,033

\* If Messrs. Gayner, Springman and Whitt were terminated without cause following a Change in Control, they would receive payments as described in this column.

Messrs. Gayner, Springman and Whitt have received Restricted Stock Unit awards under the Company's Omnibus Incentive Plan that have not yet vested. If, within twelve months following a Change in Control, their employment were terminated involuntarily or they voluntarily terminated employment for Good Reason, all outstanding terms and conditions on the Restricted Stock Units would be deemed fully satisfied and vested. See Outstanding Equity Awards at Fiscal Year End for a summary of outstanding Restricted Stock Units at December 31, 2006.

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In addition, under the circumstances described above, all outstanding Performance Grants under the Omnibus Incentive Plan would be deemed fully earned. At December 31, 2006, that would have resulted in the issuance of shares of Common Stock to Mr. Gayner worth \$950,000; shares to Mr. Springman worth \$950,000; and shares to Mr. Whitt worth \$790,000.

**Equity Compensation Plan Information**

The following table presents information as of December 31, 2006 with respect to compensation plans under which shares of the Company's Common Stock are authorized for issuance.

<u>Plan Category</u>	<u>Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (including Restricted Stock Units)</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans<sup>a</sup></u>
Equity Compensation Plans Approved by Shareholders	24,746 <sup>b</sup>	\$ 0	125,254 <sup>c</sup>
Equity Compensation Plans Not Approved by Shareholders	444 <sup>d</sup>	\$ 0	13,198 <sup>e</sup>
<b>Total</b>	<b>25,190</b>	<b>\$ 0</b>	<b>138,452</b>

<sup>a</sup> The Company has no outstanding options, warrants or rights under the Markel Corporation Omnibus Incentive Plan. This column excludes shares to be issued in respect of outstanding Restricted Stock Units under the Markel Corporation Omnibus Incentive Plan (see note b) and shares to be issued upon exercise of outstanding options under the Octavian Stock Option Plan (see note d).

<sup>b</sup> Represents shares to be issued in respect of outstanding Restricted Stock Units under the Markel Corporation Omnibus Incentive Plan.

<sup>c</sup> Shares of Common Stock eligible for issuance or purchase on the open market under the Markel Corporation Omnibus Incentive Plan.

<sup>d</sup> Outstanding options under Octavian Stock Option Plan.

<sup>e</sup> Shares of Common Stock eligible for issuance or purchase on the open market under the Markel Corporation Employee Stock Purchase and Bonus Plan.

**Summary Description of the Company's Equity Compensation Plans Not Approved by Shareholders**

*Markel Corporation Employee Stock Purchase and Bonus Plan*

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As noted under Approval of Stock Purchase Plan, the Stock Purchase Plan has not been previously been approved by shareholders. The Board of Directors authorized 100,000 shares for acquisition by participants under the Stock Purchase Plan in 2000, and the shares under that authorization have been substantially used up. If the Stock Purchase Plan is approved by shareholders, no additional shares will be issued under the previous authorization after June 1, 2007.

### *Octavian Stock Option Plan*

In connection with the Company's acquisition of Markel International in March 2000, the Company provided for the conversion of options under Markel International's Octavian Stock Option Plan ( Octavian Plan ) into options to purchase Common Stock. The Octavian Plan has not been approved by shareholders. The Octavian Plan provides for the grant of options to former and current members of management of Octavian (now Markel Syndicate Management Limited) based on profit commissions receivable by Markel Syndicate Management for the 1997 to 2000 years of account at Lloyd's. All outstanding options have a nominal exercise price and are fully exercisable. Options expire seven years from the date of grant. No further options will be issued under this plan.

**OTHER MATTERS**

The Board of Directors knows of no other matters which will be brought before the meeting. However, if any other matters are properly presented, or if any question arises as to whether any matter has been properly presented and is a proper subject for shareholder action, the persons named as proxies in the accompanying proxy intend to vote the shares represented by such proxy in accordance with their best judgment.

**SHAREHOLDER PROPOSALS FOR NEXT MEETING**

Any shareholder desiring to make a proposal to be acted upon at the 2008 Annual Meeting of Shareholders must present the proposal to the Company at its principal executive offices in Glen Allen, Virginia, no later than November 27, 2007 in order for the proposal to be included in the Company's proxy materials. Any such proposal should meet the applicable requirements of the Exchange Act and the rules and regulations thereunder.

For shareholder proposals not included in the Company's proxy statement for the 2008 Annual Meeting, the persons named by the Board of Directors proxy will be entitled to exercise discretionary voting power in the circumstances set forth in Rule 14a-4(c) of the Exchange Act unless the shareholder making a proposal (i) notifies the Company Secretary of the proposal by February 9, 2008 and (ii) otherwise follows the procedures specified in Rule 14a-4(c).

By Order of the Board of Directors

D. Michael Jones  
Secretary

March 26, 2007







