

MARKEL CORP
Form 10-Q
November 05, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2014

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number: 001-15811

MARKEL CORPORATION
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1959284
(I.R.S. Employer
Identification No.)

4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148
(Address of principal executive offices)
(Zip Code)
(804) 747-0136
(Registrant's telephone number, including area code)

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

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

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

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

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

Number of shares of the registrant's common stock outstanding at October 29, 2014: 13,959,475

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
(dollars in thousands)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Investments, available-for-sale, at estimated fair value:		
Fixed maturities (amortized cost of \$10,123,387 in 2014 and \$10,129,141 in 2013)	\$10,474,647	\$10,142,536
Equity securities (cost of \$1,860,782 in 2014 and \$1,566,553 in 2013)	3,706,963	3,251,798
Short-term investments (estimated fair value approximates cost)	1,686,691	1,452,288
Total Investments	15,868,301	14,846,622
Cash and cash equivalents	1,765,591	1,978,526
Restricted cash and cash equivalents	583,291	786,926
Receivables	1,289,010	1,141,773
Reinsurance recoverable on unpaid losses	1,897,580	1,854,414
Reinsurance recoverable on paid losses	103,023	102,002
Deferred policy acquisition costs	375,618	260,967
Prepaid reinsurance premiums	404,710	383,559
Goodwill	1,067,457	967,717
Intangible assets	727,456	565,083
Other assets	994,398	1,067,922
Total Assets	\$25,076,435	\$23,955,511
LIABILITIES AND EQUITY		
Unpaid losses and loss adjustment expenses	\$10,509,797	\$10,262,056
Life and annuity benefits	1,358,882	1,486,574
Unearned premiums	2,455,709	2,127,115
Payables to insurance and reinsurance companies	359,524	295,496
Senior long-term debt and other debt (estimated fair value of \$2,490,000 in 2014 and \$2,372,000 in 2013)	2,273,795	2,256,227
Other liabilities	878,110	777,850
Total Liabilities	17,835,817	17,205,318
Redeemable noncontrolling interests	57,249	72,183
Commitments and contingencies		
Shareholders' equity:		
Common stock	3,302,868	3,288,863
Retained earnings	2,468,744	2,294,909
Accumulated other comprehensive income	1,403,581	1,089,805
Total Shareholders' Equity	7,175,193	6,673,577
Noncontrolling interests	8,176	4,433
Total Equity	7,183,369	6,678,010
Total Liabilities and Equity	\$25,076,435	\$23,955,511

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income
(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(dollars in thousands, except per share data)			
OPERATING REVENUES				
Earned premiums	\$954,007	\$919,723	\$2,868,981	\$2,269,129
Net investment income	91,096	86,192	269,980	228,788
Net realized investment gains:				
Other-than-temporary impairment losses	(2,851) —	(3,858) (4,589
Net realized investment gains, excluding other-than-temporary impairment losses	7,046	11,238	32,567	45,290
Net realized investment gains	4,195	11,238	28,709	40,701
Other revenues	249,988	174,512	630,242	504,680
Total Operating Revenues	1,299,286	1,191,665	3,797,912	3,043,298
OPERATING EXPENSES				
Losses and loss adjustment expenses	570,966	533,372	1,723,675	Identification and Classification of Members of the Group:
			Not Applicable.	
Item 9	Notice of Dissolution of Group: Not Applicable.			
Item 10	Certification: By signing below the signatory certifies that, to the best of his knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in			

any transaction
having that
purpose or
effect.

(FN1) Includes 3,057,771.49 Series Two Preferred Units (the Series Two Preferred Units) of limited partnership interest in Boston Properties Limited Partnership, a Delaware limited partnership (the Operating Partnership), of which Boston Properties, Inc. is the general partner. Under the rules issued by the Securities and Exchange Commission regarding beneficial ownership of securities, beneficial ownership of Common Stock includes (i) any shares as to which the individual or entity has sole or shared voting power or investment power and (ii) any shares which could be purchased by the exercise of options at or within 60 days of December 31, 2004. The \$50.00 liquidation preference of each Series Two Preferred Unit will be convertible, at the holder's option, into common units of limited partnership interest (Common Units) in the Operating Partnership at a conversion price of \$38.10. These Common Units may then be tendered for cash equal to the equivalent number of shares of the issuer's Common Stock. In lieu of delivering cash, however, the issuer may, at its option choose to acquire any units so tendered by issuing common stock. The Reporting Persons have opted to include in this report his or its beneficial ownership of the Series Two Preferred Units even though ownership of such units does not constitute beneficial ownership of Common Stock under Rule 13d-3 because, pursuant to section 8.6 of the Operating Partnership's limited partnership agreement, the holder of common units does not have the right to require the issuer to exchange the common units for shares of Common Stock.

(FN2) Includes 44,086.32 Series Two Preferred Units (the Series Two Preferred Units) of limited partnership interest in Boston Properties Limited Partnership, a Delaware limited partnership (the Operating Partnership), of which Boston Properties, Inc. is the general partner. Under the rules issued by the Securities and Exchange Commission regarding beneficial ownership of securities, beneficial ownership of Common Stock includes (i) any shares as to which the individual or entity has sole or shared voting power or investment power and (ii) any shares which could be purchased by the exercise of options at or within 60 days of December 31, 2004. The \$50.00 liquidation preference of each Series Two Preferred Unit will be convertible, at the holder's option, into common units of limited partnership interest (Common Units) in the Operating Partnership at a conversion price of \$38.10. These Common Units may then be tendered for cash equal to the equivalent number of shares of the issuer's Common Stock. In lieu of delivering cash, however, the issuer may, at its option choose to acquire any units so tendered by issuing common stock. The Reporting Persons have opted to include in this report his or its beneficial ownership of the Series Two Preferred Units even though ownership of such units does not constitute beneficial ownership of Common Stock under Rule 13d-3 because, pursuant to section 8.6 of the Operating Partnership's limited partnership agreement, the holder of common units does not have the right to require the issuer to exchange the common units for shares of Common Stock.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 31, 2005

By: /s/ DAVID ROCKEFELLER
David Rockefeller

ROCKMARK CORPORATION

By: /s/ RICHARD E. SALOMON
Name: **Richard E. Salomon**
Title: **President**

FEDMARK CORPORATION

By: /s/ RICHARD E. SALOMON
Name: **Richard E. Salomon**
Title: **President**

ECW INVESTOR ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP

By: ROCKMARK CORPORATION

its General Partner

By: /s/ RICHARD E. SALOMON
Name: **Richard E. Salomon**
Title: **President**

DR & DESCENDANTS, LLC

By: /s/ DAVID ROCKEFELLER
Name: **David Rockefeller**
Title: **Managing Member**

AGREEMENT OF FILING OF SCHEDULE 13G

The undersigned acknowledge and agree that the foregoing statement on Schedule 13G is filed on behalf of each of the undersigned and that all subsequent amendments to this statement on Schedule 13G shall be filed on behalf of each of the undersigned without the necessity of additional joint filing statements. The undersigned acknowledge that each shall be responsible for the timely filing of such amendments, and for the completeness and accuracy of the information concerning the others, except to the extent that it knows or has reason to believe that such information is inaccurate. This Agreement may be executed in any number of counterparts and all such counterparts taken together shall constitute one and the same instrument.

Dated: January 31, 2005

ROCKMARK CORPORATION

By: /s/ RICHARD E. SALOMON
Name: **Richard E. Salomon**
Title: **President**

FEDMARK CORPORATION

By: /s/ RICHARD E. SALOMON
Name: **Richard E. Salomon**
Title: **President**

ECW INVESTOR ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP

By: **ROCKMARK CORPORATION**

its General Partner

By: /s/ RICHARD E. SALOMON
Name: **Richard E. Salomon**
Title: **President**

DR & DESCENDANTS, LLC

By: /s/ DAVID ROCKEFELLER
Name: **David Rockefeller**
Title: **Managing Member**