ASSOCIATION EXAMINATION
OF
MARKEL AMERICAN INSURANCE COMPANY
Glen Allen, Virginia
as of
December 31, 2010

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Markel American Insurance Company as of December 31, 2010, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed to the original the seal of the Bureau at the City of Richmond, Virginia this 19th day of June, 2012

Jacqueline K. Cunningham

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
May 10, 2012

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and in conformity with § 38.2-1317 of the Code of Virginia, an examination of the records and affairs of the

MARKEL AMERICAN INSURANCE COMPANY

Glen Allen, Virginia,

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

DESCRIPTION

The Company is a stock property and casualty insurer and is licensed under and subject to the general insurance laws contained in Title 38.2 of the Code of Virginia. The Company was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2007. This examination, covering the period from January 1, 2008 through December 31, 2010, was conducted by the Bureau, representing the Southeastern Zone of the National Association of Insurance Commissioners (NAIC).

HISTORY

The Company was issued a certificate of incorporation by the State Corporation Commission (Commission) on October 15, 1986. The Company commenced business on February 23, 1987. According to the Company's Articles of Incorporation, amended as of September 15, 1993, its purpose is as follows:

> The Corporation is organized to conduct business as an insurance company, and shall have the authority, if licensed, to write one or more of the following classes of insurance: credit accident and sickness, accident and sickness, fire, miscellaneous property, water damage, burglary and theft, glass, boiler and machinery, animal, personal injury liability,

> property damage liability, workers' compensation and employers' liability, fidelity, surety, credit, motor vehicle, aircraft, marine, homeowners insurance, farmowners insurance, commercial multi-peril insurance, contingent and consequential losses (as such classes of insurance are defined in the Virginia Stock Corporation Act (the "Act"), which term shall be deemed to include the Act or any successor statute or section thereof, as now written and as hereafter amended), and to engage in any other business as may be related to or incidental to the insurance business.

The Company's initial capitalization was $4,000,000, including $1,500,000 in common capital stock (15,000 shares issued and outstanding with a par value of $100) and $2,500,000 in gross paid in and contributed surplus.

On January 10, 1992, Markel Corporation (Markel) contributed the outstanding common stock of the Company to an affiliate, Markel Service, Inc. (MSI). On January 13, 1992, MSI contributed the assets of the Governmental Programs Brokerage Division (GPBD) to the Company. The Company then sold GPBD on January 17, 1992 to a non-affiliate. The GPBD sale resulted in an additional capital contribution of $1,443,668.

Evanston Insurance Company (Evanston), an Illinois domestic, purchased the Company from MSI on March 27, 1992. The Company declared and paid a one-for-one stock dividend to Evanston as of February 28, 1993. This resulted in a transfer of $1,500,000 from surplus to common capital stock, with the issued and outstanding common stock increasing from 15,000 shares to 30,000 shares. The par value remained at $100 per share. On October 24, 1994, the Company received a capital contribution of $3,500,000 from Evanston. This contribution was made in order for the Company to meet the new minimum policyholder surplus level required by Illinois to place surplus lines business in that state.

As a result of a transfer of the Company's issued and outstanding shares between affiliated companies, the Company became a direct, wholly-owned subsidiary of Markel effective January 30, 1998. This transaction consisted of two events: Evanston paid a dividend of all issued and outstanding shares of the Company's common stock to Evanston's sole shareholder, Shand/Evanston Group (S/E Group) and simultaneously, S/E Group paid the same dividend to Markel, its sole shareholder.

On March 24, 2000, Markel acquired Terra Nova (Bermuda) Holdings Ltd. As a result of this transaction, all of the outstanding shares of the Company were owned by Markel North America, Inc., a Virginia holding company. Effective March 31, 2001, Markel North America, Inc. was merged into Markel, resulting in Markel becoming the sole shareholder of the Company.

Effective April 13, 2001, the Company amended its Articles of Incorporation to change the par value of its common shares from $100 to $166.67 per share. This resulted in a transfer of $2,000,100 from gross paid in and contributed surplus to common capital stock. On December 13, 2001, Markel made a capital contribution of $5,000,000 in cash to the Company.

On November 1, 2002, Markel made a capital contribution of $10,000,000 in bonds to the Company. On December 30, 2002, Markel made a capital contribution of $7,000,000 in cash to the Company.

On December 11, 2008, Markel made a capital contribution of $14,098,794 in securities to the Company.

The Company's authorized capital is 50,000 shares of common stock with a current par value of $166.67 per share. As of December 31, 2010, there were 30,000 shares of common stock issued and outstanding.

MANAGEMENT AND CONTROL

The bylaws provide that the business and affairs of the Company will be managed under the direction of the board of directors subject to any limitation set forth in the articles of incorporation. It further provides that the number of directors shall be a number that is equal to or greater than three but less than or equal to eleven, the exact number of directors to be fixed, from time to time, by a resolution of the board of directors. Each director shall hold office until the next succeeding annual meeting of shareholders at which directors are elected.

Directors shall be elected at each annual meeting of shareholders. A majority of directors then in office shall constitute a quorum for the transaction of business unless a greater number is required by law or by the articles of incorporation. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

The bylaws provide that the officers of the Company shall be a chairman of the board of directors, a president, a secretary, a treasurer, and at the discretion of the board of directors, one or more vice presidents and other officers and assistant officers as may be deemed necessary or advisable to carry on the business of the Company. Any two or more offices may be held by the same person, except that the same person cannot hold simultaneously the offices of president and secretary.

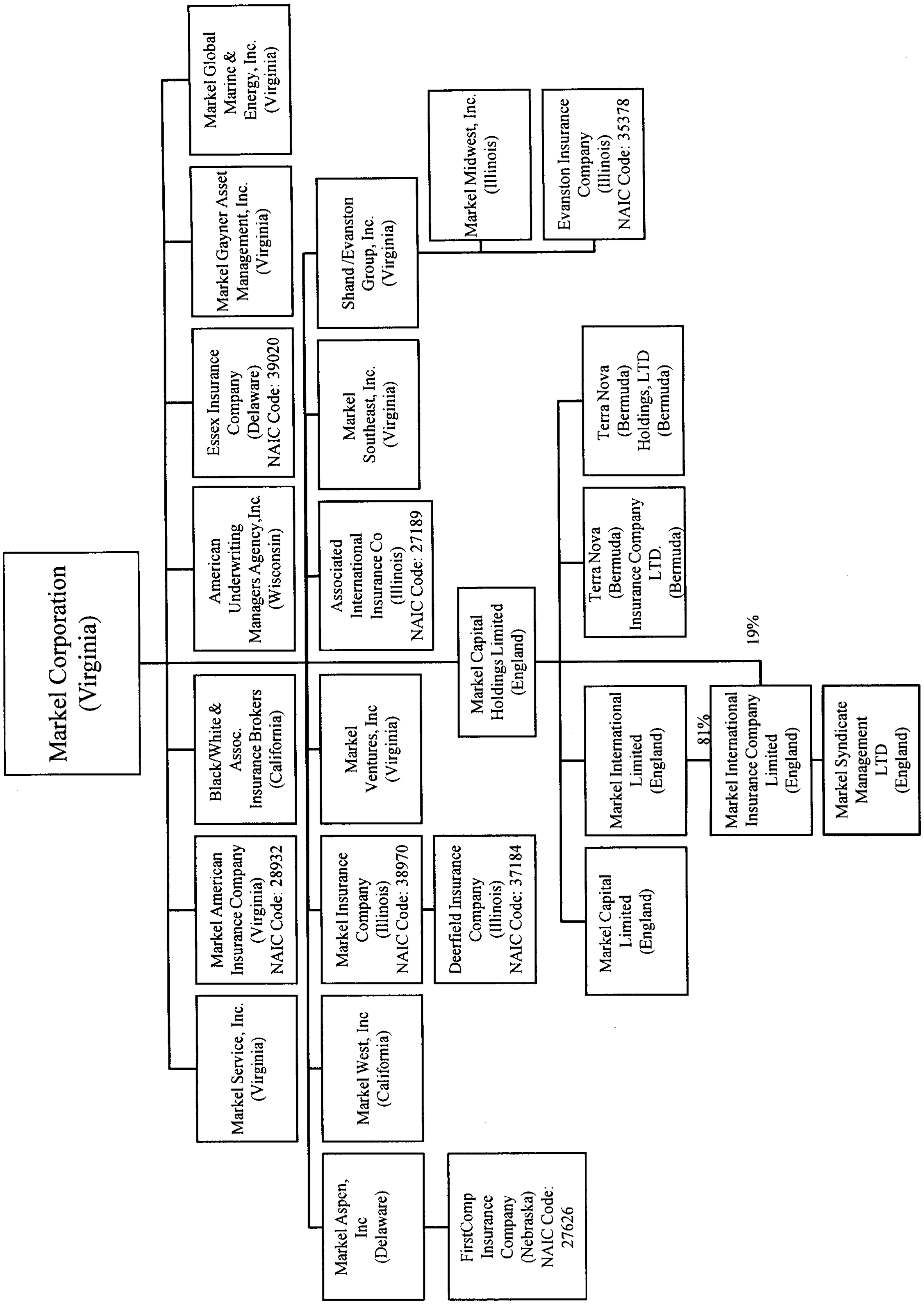
At December 31, 2010, the board of directors and officers were as follows:

Directors	Principal Occupation
Gerard Albanese, Jr.	Executive Vice President and Chief Underwriting Officer Markel Corporation
Francis Michael Crowley	President and Co-Chief Operating Officer Markel Corporation
Britton Lee Glisson	Chief Administrative Officer Markel Corporation
Timberlee T. Grove	President Markel American Insurance Company President American Underwriting Managers Agency, Inc.
Steven A. Markel	Vice Chairman Markel Corporation
Richard R. Whitt, III	President and Co-Chief Operating Officer Markel Corporation

Officers

Francis M. Crowley	Chairman of the Board
Timberlee T. Grove	President
Audrey J. Hanken	Senior Vice President
Richard R. Whitt, III	Senior Vice President
Deidra D. Balbuena	Vice President
Robert G. Whitt, III	Controller
Joanne M. Cichon-Feeney	Vice President
Nora N. Crouch	Vice President
Dewey M. Jones	Vice President and Assistant Secretary
Bruce A. Kay	Vice President
Robin Russo	Vice President
Anne G. Waleski	Vice President, Chief Financial Officer and Treasurer
Rosemary DeCamp	Assistant Vice President
Linda S. Rotz	Secretary
Genevieve K. Murtaugh	Assistant Secretary/Senior Tax Director
Thomas J. Childress, III	Assistant Secretary/Tax Director
Gina G. A. Cabay	Assistant Secretary
Myra I. Hey	Assistant Secretary
Kathleen A. Sturgeon	Assistant Secretary
Justin P. Broussard	Assistant Treasurer
April L. Duff	Assistant Treasurer

The Company is a wholly-owned subsidiary of Markel. The following chart illustrates this insurance holding company system at December 31, 2010:


Markel Corporation (Virginia)
Markel Global Marine & Energy, Inc. (Virginia)
Markel Gayner Asset Management, Inc. (Virginia)
Essex Insurance Company (Delaware) NAIC Code: 39020
American Underwriting Managers Agency, Inc. (Wisconsin)
Black/White & Assoc. Insurance Brokers (California)
Markel American Insurance Company (Virginia) NAIC Code: 28932
Markel Service, Inc. (Virginia)
Shand /Evanston Group, Inc. (Virginia)
Markel Midwest, Inc. (Illinois)
Evanston Insurance Company (Illinois) NAIC Code: 35378
Markel Southeast, Inc. (Virginia)
Associated International Insurance Co (Illinois) NAIC Code: 27189
Markel Ventures, Inc (Virginia)
Markel Insurance Company (Illinois) NAIC Code: 38970
Deerfield Insurance Company (Illinois) NAIC Code: 37184
Markel West, Inc (California)
Markel Aspen, Inc (Delaware)
FirstComp Insurance Company (Nebraska) NAIC Code: 27626
Markel Capital Holdings Limited (England)
Terra Nova (Bermuda) Holdings, LTD (Bermuda)
Terra Nova (Bermuda) Insurance Company LTD. (Bermuda)
19%
Markel International Limited (England)
81%
Markel International Insurance Company Limited (England)
Markel Syndicate Management LTD (England)
Markel Capital Limited (England)

RELATED PARTY TRANSACTIONS

The Company entered into a management agreement with American Underwriting Managers Agency, Inc. (AUM), effective January 1, 1995, whereby AUM acts as the exclusive underwriting and business manager for the Company. AUM provides all management, administrative, financial, underwriting, claims, reinsurance and other underwriting services for those classes of business that the Company writes. However, the Company makes the final decision on the classes of business in which it wishes to engage, the volume of premium it chooses to write in each class, and whether to change classes of business or withdraw from any class of business at any time.

The Company has entered into a number of binding authority agreements with affiliated companies. Effective January 1, 1995, the Company entered into an agreement with AUM and Shand Morahan & Company, Inc., now Markel Midwest, Inc. (Midwest). Under this agreement, the Company and AUM granted Midwest underwriting and claims authority with respect to certain programs. Effective August 14, 1995, the Company entered into an agreement with AUM and Underwriting Management, Inc., now Markel Southeast, Inc. (Southeast). This agreement was approved by the Bureau on February 27, 1996. Effective January 1, 2000, the Company entered into an agreement with AUM and Markel Service, Inc. (MSI) doing business as Markel Underwriters & Brokers. This agreement was approved by the Bureau on February 3, 2000. Effective April 1, 2001, the Company entered into an agreement with AUM and Markel Southwest Underwriters, Inc. (MSU). The agreement was approved by the Bureau on February 28, 2001. Effective March 27, 2009, MSU was merged into Markel West, Inc. Effective April 1, 2007, the Company entered into an agreement with AUM and Black/White & Associates Insurance Brokers. This agreement was approved by the Bureau on September 11, 2007. The amount of business written under these binding authority agreements is as follows:

American Underwriting Managers Agency, Inc.	65.0%
Markel Southeast, Inc.	14.1%
Markel Midwest, Inc.	10.5%
Markel Underwriters & Brokers	8.9%
Markel West, Inc.	1.5%

For the period under review, the Company made payments with respect to the above agreements of $59,215,915, $62,956,022, and $47,169,590 in 2008, 2009 and 2010, respectively.

On July 2, 1998, the Company entered into an Investment Advisory Agreement with Markel-Gayner Asset Management, Inc. (Markel-Gayner). Under this agreement, Markel-Gayner provides investment advisory services to the Company with respect to assets in its investment portfolio. The Company pays an annual fee to Markel Gayner equal to 1% of the portfolio's market value.

Effective August 12, 2003, the Company and its affiliated underwriting managers entered into a service agreement with Markel, granting Markel authority to issue checks on behalf of the Company and its affiliates in order to pay the expenses of the Company and its affiliated underwriting managers. This agreement was approved by the Bureau on August 12, 2003.

On September 1, 2010, the Company entered into an agreement with MSI, granting MSI authority to establish bank accounts for premium collection, and claims/reinsurance administration.

Tax Sharing Agreement

The Company is included in the consolidated federal income tax return filed by Markel. There is a written tax allocation agreement which was effective December 30, 1994, and covers tax allocations for the taxable year 1991 and thereafter. The method of allocation is based upon a separate federal income tax return calculation for each party subject to this agreement, except for deferred intercompany transactions.

Dividends

The Company did not pay dividends to Markel during the period under review.

Revolving Credit Arrangement

On February 25, 1999, the Bureau approved a revolving credit arrangement between the Company and Markel. This agreement enables the Company to borrow up to 25% of its policyholders surplus level as of the immediately preceding December 31, if necessary, from Markel. The arrangement's purpose is to provide efficient cash flow to the Company in the event it is necessary to settle large claims, particularly prior to reinsurance recoveries. The repayment of borrowed funds (unsecured) will occur pursuant to the terms of a short-term demand note bearing interest from the date of advance until repayment at the prime rate periodically announced by a certain financial institution. Payment of principal is on demand. Reinsurance recoveries when received will be used to repay the loans. This arrangement anticipates that such loans will not remain outstanding for more than 90 days. Either party may terminate the arrangement upon 30 days written notice to the other. At December 31, 2010, there were no balances outstanding under this agreement.

FIDELITY BOND AND OTHER INSURANCE COVERAGE

At December 31, 2010, the Company was named as an insured on a financial institution bond providing coverage for Markel and its subsidiaries. Coverage under this bond includes fidelity, forgery, counterfeit currency, property loss and computer systems. The coverage limit for each is $15,000,000. Other coverage in effect at December 31, 2010 included directors and officers liability, insurance company errors and omissions insurance, excess insurance company's professional liability, workers compensation and employers liability, excess umbrella and other liability insurance.

TERRITORY AND PLAN OF OPERATION

At December 31, 2010, the Company was licensed to operate in all states, the District of Columbia and Puerto Rico. In Virginia, the Company was licensed to transact the following lines of business:

Accident and sickness
Credit accident and sickness
Fire
Miscellaneous property and casualty
Farmowners multiple peril
Homeowners multiple peril
Commercial multiple peril
Ocean marine
Inland marine
Workers compensation-employer liability
Liability other than auto
Automobile liability
Automobile physical damage
Aircraft liability
Aircraft physical damage
Fidelity
Surety
Glass
Burglary and theft
Boiler and machinery
Credit
Animal
Water damage
Liability

Currently, the majority of the Company's direct premium is written in California, Florida, Louisiana, New York, Texas, Washington and South Carolina. According to its 2010 Annual Statement, the Company wrote the following lines of business:

Direct:
Fire
Allied lines
Homeowners multiple peril
Commercial multiple peril
Ocean marine
Inland marine
Medical professional liability-claims-made
Other liability-occurrence
Other liability-claims-made
Products liability-occurrence
Private passenger auto liability
Commercial auto liability
Auto physical damage

Assumed:

Fire
Allied lines
Homeowners multiple peril
Commercial multiple peril
Ocean marine
Inland marine
Medical professional liability-occurrence
Medical professional liability-claims-made
Other liability-occurrence
Other liability-claims-made
Products liability-occurrence
Products liability-claims-made
Private passenger auto liability
Commercial auto liability
Auto physical damage
Burglary and theft
Credit

GROWTH OF THE COMPANY

The following data, obtained from Annual Statements filed with the Bureau and from examination reports, indicates the Company's growth from inception to December 31, 2010:

Year	Admitted Assets	Liabilities	Aggregate Write-ins For Special Surplus Funds	Capital Paid-Up	Gross Paid In and Contributed Surplus	Unassigned Funds
2001	$149,025,763	$117,373,129		$5,000,100	$10,443,568	$16,208,966
2002	221,211,124	170,989,382		5,000,100	27,443,568	17,778,074
2003	291,597,774	220,546,072		5,000,100	27,443,568	38,608,034
2004	352,626,077	271,311,383		5,000,100	27,443,568	48,871,026
2005	394,729,273	303,831,265		5,000,100	27,443,568	58,454,340
2006	403,368,773	294,657,697		5,000,100	27,443,568	76,267,408
2007	399,853,359	298,319,304		5,000,100	27,443,568	69,090,387
2008	447,792,201	350,368,669		5,000,100	41,542,362	50,881,070
2009	482,472,628	373,128,772	3,680,800	5,000,100	41,542,362	59,120,594
2010	497,163,964	368,450,186	2,971,454	5,000,100	41,542,362	79,199,862

Year	Earned Premiums	Incurred Loss And Loss Adjustment Expenses	Other Underwriting Expenses	Net Underwriting Gains or (Loss)
2001	$56,440,540	$40,499,850	$19,697,063	($3,756,373)
2002	84,338,552	57,788,410	25,638,314	911,828
2003	114,673,194	70,647,618	33,547,512	10,478,064
2004	124,208,671	77,724,185	36,216,357	10,268,129
2005	117,135,877	64,401,589	37,428,489	15,305,799
2006	114,444,340	46,988,282	41,735,769	25,720,289
2007	108,313,656	45,636,076	39,679,834	22,997,746
2008	167,611,632	94,861,202	71,090,547	1,659,883
2009	168,287,341	103,428,199	69,425,029	(4,565,887)
2010	139,053,626	82,062,708	61,819,105	(4,828,187)

REINSURANCE

The net aggregate amount insured in any one risk excluding workers' compensation at December 31, 2010 was $5 million for the professional liability line of business, excluding intercompany reinsurance. The following reinsurance agreements were in force at December 31, 2010:

Ceded Non-Affiliate

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Excess & Umbrella Quota Share & Excess of Loss	Section A: Umbrella Liability & Excess Liability underwritten by Markel E&U Product Line Division & Burns and Wilcox Ltd. Policies with limits in excess of $3 million	40% share of losses on covered policies	60% share of $10 million each occurrence
	Section B: Primary Liability Excess Cessions not including Railroad General Liability policies underwritten by Markel Binding P&C Division and Markel Brokerage Casualty Product Line Division	$3 million each occurrence, each policy	$2 million ultimate net loss (UNL) in excess of $3 million
	Section C: Railroad General Liability Excess Cessions	$2 million each occurrence	$3 million UNL in excess of $2 million
Fidelity Excess of Loss	Fidelity and Crime Policies produced by ProSurance Group Inc	$1 million UNL each & every loss, each policy	
		Section A: 10% of $1 million UNL in excess of $1 million	Section A: 90% of $1 million UNL in excess of $1 million
		Section B: 10% of $3 million UNL in excess of $2 million UNL	Section B: 90% of $3 million UNL in excess of $2 million UNL

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Management Liability Quota Share	Management Liability policies including but not limited to Directors & Officers Liability, Employment Practices Liability, Fiduciary Liability, Fidelity and Crime	40% of $10 million each loss, each policy	60% of $10 million each loss, each policy
Ocean Marine Occurrence Excess of Loss	Marine Hull and Machinery, Marine Liabilities, Protection & Indemnity, Excess Protection & Indemnity, Marine Cargo & Marine Cargo War Risks, Builders Risk, Boat Dealers, Yachts, Watercraft, Marine-Related General Liability and Property Coverage	Section A: $5 million each occurrence Section B: $10 million each occurrence Section C: $17.5 million each occurrence	Section A: $5 million in excess of $5 million Section B: $7.5 million in excess of $10 million Section C: $7.5 million in excess of $17.5 million
Professional Liability Quota Share	Employment Practices Liability Program, Lawyers Professional Liability Program, Miscellaneous Errors & Omissions Programs, Physicians & Surgeons Medical Programs, and Specified Medical Professions Program produced by American Family Brokerage and underwritten by Markel	50% share of risks up to $5 million	Reinsurer's liability limited to 50% of $5 million

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Property Per Risk Excess of Loss – All Peril CAT	Property Coverages	$100 million UNL any one occurrence	$50 million UNL in excess of $100 million UNL and $100 million UNL during the term of this agreement
Property Per Risk Quota Share	Property coverage written by Brokerage Property & Catastrophe Property Line Divisions	50% Quota Share each loss, each risk	Quota Share not to exceed 50% of $5 million each loss, each risk
Property Per Risk Surplus Share	Property coverage written by Brokerage Property & Catastrophe Property Line Divisions	Net retention or $5 million each risk	One times the Company's retention not to exceed $5 million each loss, each risk
Public Entity Liability Quota Share	All acceptances or insurance and reinsurance issued by the Public Entity Product Line Division	Quota Share retained by policy limits on risk acceptances: 81% - $0 to $1M 44% - $1 to $2M 31% & 44% - $2 to $5M 24.25% - $5 to $9M	Quota Share reinsured by policy limits on risk acceptances: 19% - $0 to $1M 56% - $1 to $2M 56% & 69% - $2 to $5M 75.75% - $5 to $9M

Ceded - Affiliate

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Quota Share (Evanston Insurance Company)	All business underwritten by Markel affiliated underwriting managers	25% of net retained liability within the first $1,000,000 layer	75% of net retained liability within the first $1,000,000 layer
Quota Share (Markel Insurance Company)	All business underwritten or managed by MSI	0%	100% of net retained liability

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Quota Share (Essex Insurance Company	Net Direct & Assumed business underwritten & managed by Underwriting Management, Inc.	0%	100% of net retained liability

Effective February 25, 2011, the Company entered into an Assignment and Assumption Agreement between its affiliate, Essex Insurance Company (Essex), and one of the Company's third party reinsurers, Specialty Surplus Insurance Company (SSIC), whereby Essex assumed the obligations of SSIC under a certain Miscellaneous Property and Casualty Reinsurance Agreement between MAIC and SSIC.

Assumed - Affiliate

Type of Agreement	Business Covered	Company Reinsured	Liability Assumed
Quota Share	All business underwritten by Markel affiliated underwriting managers	Evanston Insurance Company	25% of net retained liability within the first $1,000,000 layer
Quota Share	All business underwritten or managed by AUM	Markel Insurance Company	15% of net retained liability

Each of the ceded reinsurance contracts contains an insolvency clause and, where applicable, an intermediary clause.

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2008 through December 31, 2010. Assets were verified and liabilities were established at December 31, 2010.

This examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's financial condition and identify prospective risks of the Company, assess corporate governance, identify and assess inherent risks within the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and annual statement instructions when applicable to domestic state regulations.

The Examination was conducted with the Illinois Department of Insurance, with Illinois acting as the coordinating state. The examination of the Company was conducted concurrently with the examination of the following insurers:

Insurer	**Domiciliary Sate**
Evanston Insurance Company	Illinois
Essex Insurance Company	Delaware
FirstComp Insurance Company	Nebraska
Markel Insurance Company	Illinois
Deerfield Insurance Company	Illinois
Associated International Insurance Company	Illinois

The services of Merlinos & Associates, Inc. were employed to provide an actuarial report as to the reasonableness of the Company's loss and loss adjustment expense reserves as of December 31,2010.

The services of INS Services, Inc. were employed to provide a report on the evaluation of the information systems controls as of December 31, 2010.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

FINANCIAL STATEMENTS

There follows a statement of financial condition of the Company at December 31, 2010, a statement of income for the year ending December 31, 2010, a reconciliation of surplus for the period under review and a statement of cash flow for the year ending December 31, 2010. The financial statements are presented in accordance with Statutory Accounting Principles.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$318,662,178		$318,662,178
Common stocks	82,034,583		82,034,583
Cash and short-term investments	22,013,956		22,013,956
Investment income due and accrued	4,212,921		4,212,921
Uncollected premiums and agents' balances in course of collection	27,253,679		27,253,679
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,327		1,327
Amounts recoverable from reinsurers	14,753,100		14,753,100
Current federal income tax recoverable and interest thereon	555,416		555,416
Net deferred tax asset	9,014,418		9,014,418
Guaranty funds receivable or on deposit	1,527,286		1,527,286
Receivables from parent, subsidiaries and affiliates	17,135,100		17,135,100
Totals	$497,163,964		$497,163,964

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		$199,109,886
Reinsurance payable on paid losses and loss adjustment expenses		16,231,308
Loss adjustment expenses		67,863,098
Commissions payable, contingent commissions and other similar charges		750,065
Other expenses		392,144
Taxes, licenses and fees		2,198,555
Unearned premiums		51,126,756
Ceded reinsurance premiums payable		13,200,270
Provision for reinsurance		114,979
Payable to parent, subsidiaries and affiliates		17,463,125
Total liabilities		$368,450,186
Aggregate write-ins for sepcial surplus funds	$2,971,454	
Common capital stock	5,000,100	
Gross paid in and contributed surplus	41,542,362	
Unassigned funds (surplus)	79,199,862	
Surplus as regards policyholders		128,713,778
Totals		$497,163,964

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	$139,053,626
Deductions:	
Losses incurred	$68,485,857
Loss adjustment expenses incurred	13,576,851
Other underwriting expenses incurred	61,819,105
Total underwriting deductions	$143,881,813
Net underwriting loss	($4,828,187)

INVESTMENT INCOME

Net investment income earned	$13,864,071
Net realized capital losses	(171,302)
Net investment gain	$13,692,769
Net income before federal income taxes	$8,864,582
Federal income tax incurred	(345,157)
Net income	$9,209,739

RECONCILIATION OF CAPITAL AND SURPLUS FOR PERIOD UNDER REVIEW

	2008	2009	2010
Surplus as regards policyholders, December 31, previous year	$101,534,055	$97,423,532	$109,343,856
Adjustment for previous examination changes	$2,917,117		
Net income	(16,532,383)	6,265,244	9,209,739
Change in net unrealized capital gains or (losses)	(6,926,233)	5,340,480	7,742,986
Change in net deferred income tax	8,094,034	(4,899,616)	(3,110,658)
Change in nonadmitted assets	(4,087,259)	1,228,064	3,891,904
Change in provision for reinsurance	(1,674,593)	305,352	1,623,632
Paid in surplus	14,098,794		
Aggregate write-ins for gains in surplus		3,680,800	12,319
Change in surplus as regards policyholders for the year	($4,110,523)	$11,920,324	$19,369,922
Surplus as regards policyholders, December 31, current year	$97,423,532	$109,343,856	$128,713,778

CASH FLOW

Cash From Operations

Premiums collected net of reinsurance	$143,498,048
Net investment income	14,607,754
Total	$158,105,802
Benefits and loss related payments	$69,816,719
Commissions, expenses paid and aggregate write-ins for for deductions	78,396,250
Federal income taxes paid	3,472,503
Total	$151,685,472
Net cash from operations	$6,420,330

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	$18,379,574
Stocks	5,289,901
Total investment proceeds	$23,669,475
Cost of investments acquired (long-term only):	
Bonds	$62,474,730
Stocks	3,245,780
Total investments acquired	$65,720,510
Net cash from investments	($42,051,035)

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Other cash provided	($464,113)
Net cash from financing and miscellaneous sources	($464,113)
Net change in cash and short-term investments	($36,094,818)

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	$58,108,774
End of year	22,013,956
Net change in cash and short-term investments	($36,094,818)

SUBSEQUENT EVENTS

1. On December 21, 2011, the Company paid an extraordinary dividend of $20,000,000 to Markel. This transaction was approved by the Bureau.

2. In April 2012, Michael Crowley was named to replace Timberlee Grove as President of the Company.

CONCLUSION

The courteous cooperation extended by the Company's officers and employees during the course of the examination is hereby gratefully acknowledged.

In addition to the undersigned, Jennifer K. Crawley, CFE, Mario A. Cuellar, CFE, and Theresa C. Lewis, CFE of the Bureau participated in the work of the examination.

Respectfully submitted,

T. Bradford Earley, Jr., AIAF, CFE, CPCU
Insurance Principal Financial Analyst
Commonwealth of Virginia
Representing the Southeastern Zone, NAIC

MARKEL

STATE CORP COMMISSION
BUREAU OF INSURANCE

12 JUN 18 AM 9:30

VIA OVERNIGHT COURIER AND
VIA EMAIL David.Smith@scc.virginia.gov

June 15, 2012

Mr. David H. Smith, CFE, CPA, CPCU
State Corporation Commission
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

RE: Markel American Insurance Company
Examination Report as of December 31, 2010

Dear Mr. Smith:

We acknowledge receipt of the Virginia Bureau of Insurance Examination Report ("Exam Report") of Markel American Insurance Company ("MAIC") as of December 31, 2010.

Please send us twenty-five copies (25) of the Exam Report. We understand that you will mail a copy of the Exam Report to each of the states in which MAIC is licensed. If this procedure has changed, please let me know.

We thank you and the exam staff for your time, patience and guidance throughout the exam process.

Sincerely,

Gina G. A. Cabay

Gina G. A. Cabay

Assistant Secretary
Markel American Insurance Company

cc: via email
Jillian Avey
F. Michael Crowley
Jolanta Pamula
Kitty Sturgeon

Markel American Insurance Company
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