ASSOCIATION EXAMINATION
OF
MARKEL AMERICAN INSURANCE COMPANY
Glen Allen, Virginia
as of
December 31, 2015

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, 2015, 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 16th day of June, 2017

Jacqueline K. Cunningham

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
March 31, 2017

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.

SCOPE OF THE EXAMINATION

The Company was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2010. The examination covers the period from January 1, 2011 through December 31, 2015.

The 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, assess corporate controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

The Examination was conducted by the Illinois Department of Insurance on a coordinated basis, with the state of Illinois as the NAIC lead state. Other Markel insurance company examinations conducted concurrently with this examination were as follows:

Insurer	Domiciliary Sate
Evanston Insurance Company	Illinois
Associated International Insurance Company	Illinois
Alterra America Insurance Company	Delaware
Markel Global Reinsurance Company	Delaware
Essex Insurance Company	Delaware
Essentia Insurance Company	Missouri
FirstComp Insurance Company	Nebraska

The services of Oliver Wyman Actuarial Consulting, Inc. were employed to provide an actuarial analysis as to the reasonableness of the Company's loss and loss adjustment expense reserves as of December 31, 2015.

The services of INS Services, Inc. were employed to perform a general assessment of the internal controls of the Company's information systems and significant business processes as deemed necessary.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company is a stock property and casualty insurer. 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 sold GPBD to a non-affiliate, resulting 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. Effective February 28, 1993, the Company declared and paid a one-for-one stock dividend to Evanston, resulting in a transfer of $1,500,000 from surplus to common capital stock and increasing the issued and outstanding common stock from 15,000 shares to 30,000 shares. On October 24, 1994, the Company received a capital contribution of $3,500,000 from Evanston.

As a result of a transfer of the Company's issued and outstanding shares between affiliated companies effective January 30, 1998, the Company became a direct, wholly-owned subsidiary of Markel.

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, 2015, 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.

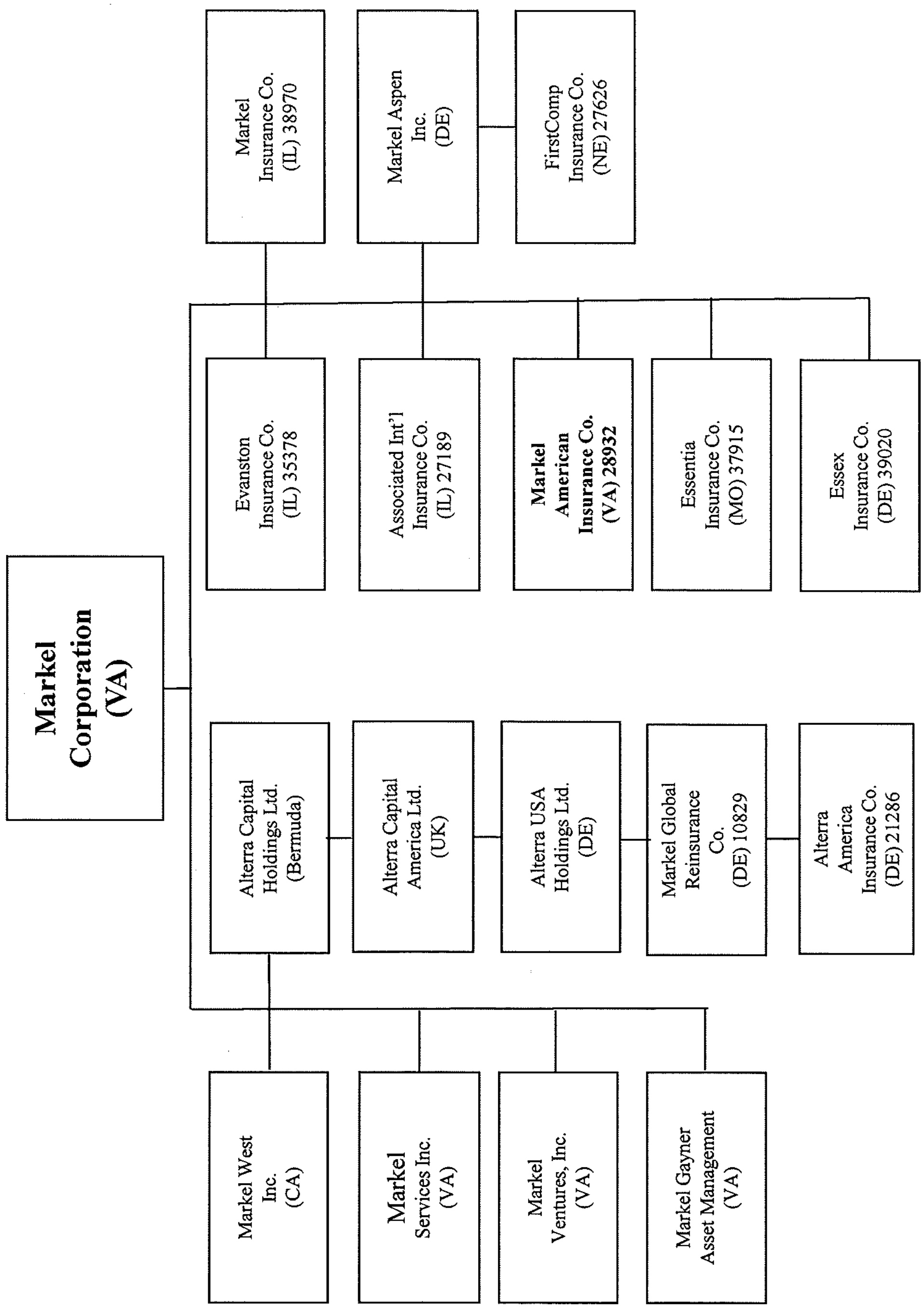
The bylaws provide that the officers of the Company shall be a chairman of the board of directors, a president, a secretary, a treasurer, and at the discretion of the board of directors, one or more vice presidents and other officers and assistant officers as may be deemed necessary or advisable to carry 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, 2015, 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 M. Crowley	President and Co-Chief Operating Officer Markel Corporation
Britton L. Glisson	Chief Administrative Officer Markel Corporation
Anne G. Waleski	Executive Vice President and Chief Financial Officer Markel Corporation
Richard R. Whitt, III	President and Co-Chief Operating Officer Markel Corporation

<u>Officers</u>

Francis M. Crowley	Chairman of the Board and President
Audrey J. Hanken	Senior Vice President
Richard R. Whitt, III	Senior Vice President
Richard R. Grinnan	Vice President and Secretary
Deidra D. Balbuena	Vice President
Joanne M. Cichon-Feeney	Vice President
Nora N. Crouch	Vice President
Bruce A. Kay	Vice President
Robin Russo	Vice President
Anne G. Waleski	Vice President, Chief Financial Officer and Treasurer
Robert G. Whitt, III	Controller
Rosemary DeCamp	Assistant Vice President
Jillian M. Avey	Assistant Controller
Gina G. A. Cabay	Assistant Secretary
Rebecca S. Dubois	Assistant Secretary
Myra I. Hey	Assistant Secretary
Jonathan G. Neal	Assistant Secretary
Kelli S. Plusch	Assistant Secretary
Karl M. Strait	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, 2015:



RELATED PARTY TRANSACTIONS

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 American Underwriting Managers Agency, Inc. (AUM) and 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 Markel Southeast, Inc. 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). 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. (MW). 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 Company made payments with respect to the above agreements of $45,286,327 and $49,273,524 in 2011 and 2012, respectively. These agreements were terminated effective October 1, 2013.

The Company and its affiliated underwriting managers entered into a service agreement with Markel on August 1, 2003, 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.

The Company entered into an agreement with MSI on September 1, 2010, granting MSI authority to establish bank accounts for premium collection, and claims/reinsurance administration. This agreement was terminated effective October 1, 2013.

On October 1, 2013, the Company and certain of its affiliates entered into a management agreement with MSI, whereby MSI serves as exclusive business and underwriting manager performing all management, administrative and financial services as well as providing underwriting, claims, reinsurance and other underwriting services. Previous agreements were terminated and consolidated into the MSI arrangement.

On October 1, 2013, the Company and MSI granted underwriting authority to MW to enter into producer agreements and granted MW binding authority pursuant to the Company's underwriting standards and guidelines, as well as claims authority to adjust, settle, defend and litigate claims arising out of the policies issued pursuant to the agreement.

Effective January 1, 2015, the Company entered into an Amended and Restated 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.

Tax Sharing Agreement

The Company is included in the consolidated federal income tax return filed by Markel. There is a written tax allocation agreement, effective January 1, 2013, that covers tax allocations for the calendar years 2012 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 paid the following dividends to Markel during the period under review:

2011	$20,000,000
2012	$50,000,000
2013	$16,971,083
2014	$19,940,514
2015	$13,754,065

The 2011 and 2012 were extraordinary dividends and received the necessary approval of the Commission.

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, 2015, there were no balances outstanding under this agreement.

TERRITORY AND PLAN OF OPERATION

At December 31, 2015, the Company was licensed to operate in all 50 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, Illinois, Louisiana, New Jersey, New York, Texas, Washington and South Carolina. According to its 2015 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
Workers' compensation
Other liability-occurrence
Other liability-claims-made
Products liability-occurrence
Private passenger auto liability
Commercial auto liability
Auto physical damage
Fidelity
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 growth of the Company for the ten-year period ending December 31, 2015:

Year	Admitted Assets	Liabilities	Aggregate Write-ins for Special Surplus Funds	Capital Paid-Up	Gross Paid In and Contributed Surplus	Unassigned Funds
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
2011	448,805,466	315,891,428	1,586,383	5,000,100	41,542,362	84,785,193
2012	422,023,051	310,844,339		5,000,100	41,542,362	64,636,250
2013	441,097,769	305,305,931		5,000,100	41,542,362	89,249,376
2014	323,705,948	186,165,299		5,000,100	41,542,362	90,998,187
2015	329,312,720	192,850,661		5,000,100	41,542,362	89,919,597

Year	Premiums Earned	Loss and Loss Adjustment Expenses Incurred	Other Underwriting Expenses	Net Underwriting Gains or (Loss)
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)
2011	114,971,675	45,531,025	48,285,198	21,155,452
2012	111,011,608	56,237,976	47,555,210	7,218,422
2013	113,188,494	49,590,622	47,176,714	16,421,158
2014	118,207,469	65,346,515	52,718,975	141,979
2015	131,334,147	68,638,994	50,519,974	12,175,179

REINSURANCE

The net aggregate amount insured in any one risk excluding workers' compensation at December 31, 2015 was $12,500,000 million for the professional liability line of business. The following reinsurance agreements were in force at December 31, 2015:

Ceded Reinsurance – Affiliated Companies

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Quota Share (Alterra America Insurance Company)	Policies issued to the Ullico Organized Labor Protection Group, classified as Union Liability, Fiduciary Liability, Governmental Liability, and Excess Fiduciary Liability		100%
Quota Share (Essex Insurance Company)	Miscellaneous Property and Casualty Business		100% of all business written – Assignment and Assumption Agreement 2/25/2011
Quota Share	Combined Casualty All policies: $-0- to $3,000,000	100%	None
	Specialty Excess and Specialty Umbrella $3,000,001 to $5,000,000	61.30%	38.70%
	All Other $3,000,001 to $5,000,000	67.75%	32.25%
	Specialty Excess and Specialty Umbrella $5,000,001 to $10,000,000	48.40%	51.60%

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
	All Other $5,000,001 to $10,000,000	57.00%	43.00%
Quota Share (continued)	Specialty Excess and Specialty Umbrella $10,000,001 to $15,000,000	36.962%	63.038%
	All Other $10,000,001 to $15,000,000	42.638%	57.362%
	All Policies $15,000,001 to $20,000,000	35.50%	64.50%
	All Policies $20,000,001 to $25,000,000	31.20%	68.80%
Quota Share (62.5% of 80%)	Professional Liability Directors and Officers Errors & Omissions Architects & Engineers Management Liability Employment Practices; Maximum policy limits of $25,000,000	50% of Policy Limits	62.5% of 80% (50%) Quota Share

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Property Per Risk Excess of Loss $7.5M x $2.5M	Coverage A: Policies written by the Railroad, Contract Binding Property (excl. Inland Marine), or Markel Specialty Produce Line Divisions; Coverage B: Policies written by Contract Binding Property Division; and classified by the Company as Property excluding Inland Marine	$2,500,000 each loss, each risk	100% of $7,500,000 excess of $2,500,000 each loss, each risk 100% of $7,500,000 excess of $2,500,000 each occurrence
Property Per Risk Excess of Loss $15M x $10M	Business classified by the Company as Property excluding Inland Marine	Retention of underlying reinsurance	100% of $15,000,000 excess $10,000,000 each loss, each risk
Property Per Risk Excess of Loss $25M x $25M	Business classified by the Company as Property excluding Inland Marine	Retention of underlying reinsurance	100% of $25,000,000 excess $25,000,000 each loss, each risk
Inland Marine Excess of Loss per Occurrence (includes $30M x $30M April 1, 2015 to April 1, 2016 placed 47%; & April 1, 2015 to April 1, 2017 placed 53%)	Policies written by the Global Insurance Marine Division and classified as Inland Marine	$3,000,000 per occurrence with $2,000,000 annual aggregate deductible	100% of $62,000,000 x $3,000,000 each and every occurrence.

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Guy Carpenter Marine Occurrence Excess of Loss	All policies written by the Personal Lines and Wholesale Divisions and classified as Marine	$5,000,000 per loss occurrence	100% of $20,000,000 x $5,000,000 per occurrence
Equipment Breakdown Specialty- 100% Quota Share	Equipment Breakdown policies or endorsements classified as Markel Specialty written on Commercial, Personal, or Farmowners Lines	None	100% of limits of liability up to $100,000 MPL & $100,000,000 Markel Specialty
Equipment Breakdown Wholesale- 100% Quota Share	Policies or endorsements classified as Wholesale and Global Insurance, as defined under: Equipment Breakdown to Commercial Policies	None	100% of limits of liability up to $100,000 quota share on any one risk
Cat Cover 2015-2016 Cat Cover 2016-2017	Losses arising from perils under all policies written on behalf of Markel Wholesale, Markel Specialty Global Insurance Hagerty Insurance Agency, LLC and Hagerty Classic Marine Insurance Agency LLC, classified by the Company as Property and/or Marine	First $75,000,000 per loss occurrence: 50% of $50,000,000 x $75,000,000; 50% of $75,000,000 x $125,000,000; 30% of $100,000,000 x $200,000,000; 25% of $200,000,000 x $300,000,000; per loss occurrence	50% of $50,000,000 x $75,000,000; 50% of $75,000,000 x $125,000,000; 70% of $100,000,000 x $200,000,000; 75% of $200,000,000 x $300,000,000; per occurrence
Burns & Wilcox 20% Quota Share	Policies with limits up to $3,000,000 produced by Burns & Wilcox classified as: Umbrella Liability and Excess Liability	80% of loss exposure	20% of loss exposure

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Public Entity Liability Quota Share: Sections: A-100% of 25% B-100% of 50%	Business underwritten by the Public Entity Line Division and classified as Public Entity Business	Section A: limits up to $6,000,000 75% quota share Section B : limits $6,000,000 - $10,000,000 50% quota share	Section A: limits up to $6,000,000 25% quota share Section B : limits $6,000,000 - $10,000,000 50% quota share
Workers' Compensation and Employer's Liability Excess of Loss per Occurrence	Workers' Compensation & Employer's Liability business, and Texas Non-Subscriber Occupational Accident and Employer's Liability business produced by Midlands Management Corp.; Maximum any one life $10,000,000	$2,000,000 per occurrence	100% of $58,000,000 x $2,000,000; maximum any one life $10,000,000
Workers' Compensation and Employer's Liability Excess of Loss, Each Person	Workers' Compensation & Employer's Liability business, and Texas Non-Subscriber Occupational Accident and Employer's Liability business produced by Midlands Management Corp.;	50% $5,000,000 x $10,000,000 per person	50% $5,000,000 x $10,000,000 per person
ProSurance Fidelity Excess of Loss	All policies produced by ProSurance Group Inc. and classified by the Company as Fidelity and Crime	Section A: $1,000,000 each loss, each policy Section B: $2,000,000 each loss, each policy	Section A: 100 % of $1,000,000 x $1,000,000 Section B: $3,000,000 x $2,000,000 each loss, each policy

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Credit Excess Loss	Business written by the reinsured and classified as Trade Credit retained under the 2015 Credit Quota Share Treaty	First $5,000,000 of loss exposure	100% of $39,000,000 x $5,000,000
Pedcor 100% Quota Share	Losses under Policy No. 8521RS006774-0 insuring Pedcor Management Corporation underwritten and Classified as Property Risk	None	100% Quota Share subject to maximum loss to reinsurers of $1,000,000 during term of the agreement
Pet Health 50% Quota Share	Pet Health Insurance Policies placed through the Auto-Owners/FIGO Facility and classified as FIGO Pet Health	50% of all Pet Health business written	50% of all Pet Health business written

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Company for the period ending December 31, 2015. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2015.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$165,723,778		$165,723,778
Common stocks	86,925,031		86,925,031
Cash and short-term investments	47,088,492		47,088,492
Investment income due and accrued	2,077,001		2,077,001
Uncollected premiums and agents' balances in course of collection	22,117,503	1,134,682	20,982,821
Deferred premiums, agents' balances and installments booked but deferred and not yet due	881,540	17,723	863,817
Amounts recoverable from reinsurers	768,561		768,561
Other amounts receivable under reinsurance contracts	2,248		2,248
Receivables from parent, subsidiaries and affiliates	462,576		462,576
Aggregate write-ins for other than invested assets	4,418,395		4,418,395
Totals	$330,465,125	$1,152,405	$329,312,720

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		$80,059,168
Loss adjustment expenses		28,083,424
Commissions payable, contingent commissions and other similar charges		66,819
Other expenses		677,397
Taxes, licenses and fees		841,250
Current federal income taxes		4,246,053
Net deferred tax liability		12,828,096
Unearned premiums		58,895,777
Ceded reinsurance premiums payable		2,727,841
Funds held by company under reinsurance treaties		56,085
Provision for reinsurance		132,455
Payable to parent, subsidiaries and affiliates		4,236,296
Total liabilities		$192,850,661
Common capital stock	$5,000,100	
Gross paid in and contributed surplus	41,542,362	
Unassigned funds (surplus)	89,919,597	
Surplus as regards policyholders		136,462,059
Totals		$329,312,720

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	$131,334,147
Deductions:	
Losses incurred	$57,592,467
Loss adjustment expenses incurred	11,046,527
Other underwriting expenses incurred	50,519,974
Total underwriting deductions	$119,158,968
Net underwriting gain	$12,175,179

INVESTMENT INCOME

Net investment income earned	$6,119,180
Net realized capital gains	2,739,614
Net investment gain	$8,858,794

OTHER INCOME

Finance and service charges not included in premiums	$20,112
Aggregate write-ins for miscellaneous income	25,005
Total other income	$45,117
Net income before federal income taxes	$21,079,090
Federal income tax incurred	5,140,417
Net income	$15,938,673

RECONCILIATION OF CAPITAL AND SURPLUS FOR PERIOD UNDER REVIEW

	2011	2012	2013	2014	2015
Surplus as regards policyholders, December 31, previous year	$128,713,778	$132,914,038	$111,178,712	$135,791,838	$137,540,649
Net income	29,334,467	20,528,708	29,369,393	26,680,826	15,938,673
Change in net unrealized capital gains or (losses)	(1,043,854)	8,750,714	13,257,951	1,134,512	(1,883,310)
Change in net deferred income tax	(1,568,476)	(922,155)	(1,101,045)	(5,945,731)	(569,059)
Change in nonadmitted assets		(339,072)	46,821	(110,272)	(749,882)
Change in provision for reisnurance	(144,070)	246,479	11,089	(70,010)	(60,947)
Cumulative effect of changes in accounting principles	(992,736)				
Dividends to stockholders	(20,000,000)	(50,000,000)	(16,971,083)	(19,940,514)	(13,754,065)
Aggregate write-ins	(1,385,071)				
Change in surplus as regards policyholders for the year	$4,200,260	($21,735,326)	$24,613,126	$1,748,811	($1,078,590)
Surplus as regards policyholders, December 31, current year	$132,914,038	$111,178,712	$135,791,838	$137,540,649	$136,462,059

CASH FLOW

Cash From Operations

Premiums collected net of reinsurance	$131,297,862
Net investment income	7,199,566
Miscellaneous income	45,117
Total	$138,542,545
Benefits and loss related payments	$51,925,667
Commissions, expenses paid and aggregate write-ins for deductions	60,446,248
Federal income taxes paid	4,988,524
Total	$117,360,439
Net cash from operations	$21,182,106

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	$29,645,000
Stocks	4,827,013
Total investment proceeds	$34,472,013
Cost of investments acquired (long-term only):	
Bonds	$52,234,550
Stocks	77,230
Total investments acquired	$52,311,780
Net cash from investments	($17,839,767)

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	($13,754,066)
Other cash provided	181,289
Net cash from financing and miscellaneous sources	($13,572,777)
Net change in cash and short-term investments	($10,230,438)

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	$57,318,930
End of year	47,088,492
Net change in cash and short-term investments	($10,230,438)

ACKNOWLEDGEMENT

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. Blizzard, CFE and Mario A. Cuellar, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

T. Bradford Earley, Jr., AIAF, CFE, CPCU
BOI Manager

MARKEL

June 4, 2017

Mr. David H. Smith, CFE, CPA, CPCU
Chief Examiner
Virginia State Corporation Commission, Bureau of Insurance
1300 E. Main Street
Richmond, Virginia 23219

RE: Response to Report of Examination as of December 31, 2015 for: Markel American Insurance Company

Dear Mr. Smith:

We have reviewed the Virginia State Corporation Commission, Bureau of Insurance, Report of Examination (Report) of Markel American Insurance Company (Company) as of December 31, 2015.

The Report reflects that there were no significant findings or material adjustments to the Company's financial statements that warranted disclosure in this examination Report based on the exam. In addition, there were no recommendations that warranted disclosure in this Report.

We agree with the Report and have no comments.

Please send us fifteen (15) certified copies of the Company's Report.

We thank the Virginia examiners and staff for their time, patience and guidance throughout the exam process.

Sincerely,

Francis M. Crowley
President