

# MarketMatters

June 2012

The Markel International newsletter

[www.market-matters.biz](http://www.market-matters.biz)

Conquer a castle  
this summer

Inside India  
Munich move  
Rotterdam reception



# Features

June 2012

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## CHARITY CHALLENGE

Hever Castle is the venue for one of Markel's triathlons. Teams of three are invited to swim, cycle and run in aid of charity.

## About Markel

Markel International is a subsidiary of Markel Corporation. It has seven underwriting divisions and numerous business lines covering a wide variety of risks in niche markets. Trust, innovation and flexibility are hallmarks of the brand.

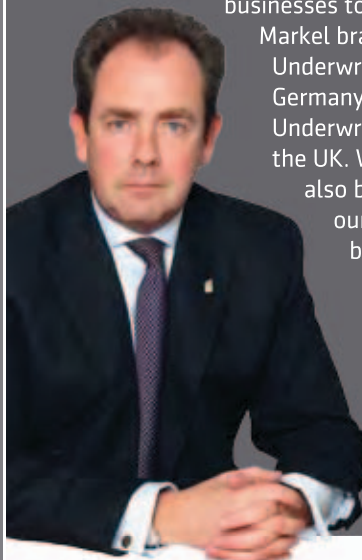
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# INSIDE VIEW

**William Stovin**, Markel International's president and chief operating officer, comments on the first quarter results and the year so far

Markel International has had a strong first quarter. Obviously a lack of significant catastrophe activity has helped our performance, but I am especially pleased with our underlying, attritional performance, resulting in a combined ratio of 94%. As well as a stronger balance sheet, premium growth remains healthy as we continue to expand in London and overseas.

We have welcomed two new businesses to the Markel brand: Anglo Underwriting in Germany and Quay Underwriting in the UK. We are also building our Dutch business, having launched Markel



International Netherlands at the end of last year. In the Netherlands and Germany, our respective offices in Rotterdam and Munich are the foundations for national growth, and further offices are planned for both countries as we establish our name as a specialist insurer.

In Canada, Elliott Special Risks remains a mainstay of the group and we have recently hired marine teams in Montreal and Vancouver, adding to our worldwide reputation in this field. In Asia Pacific, where we have seen considerable expansion over the last two years, we have created a second marketing office in Malaysia. We now have a network that spans Kuala Lumpur, Labuan, Singapore, Hong Kong and Beijing.


Finally, as you can see from this issue, we have our own sporting competition in Olympic year. The Markel Insurance Challenge may not overshadow the London games but we are hoping to attract a high level of support for our castle triathlons. So, whether you participate or simply come along to watch, we would be delighted if you join our charity crusade.

## Financial facts



See [www.markelintl.com](http://www.markelintl.com) for annual reports on Markel Syndicate 3000 and Markel International Insurance Company Ltd (MIICL).





# Sunshine after the storms

Natural disasters defined the early part of last year, but the landscape has been brighter in the first quarter of 2012

Markel Corporation reported diluted net income per share of \$5.92 for the quarter ended 31 March 2012 compared with \$0.85 for the first quarter of 2011. The combined ratio for the first quarter of 2012 was 100% compared with 112% for the first quarter of 2011.

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The combined ratio for Markel International was 94% for the quarter ended 31 March 2012 compared with 152% for the same period of 2011.

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The combined ratio for the first quarter of 2012 included \$20 million, or four points, of underwriting, acquisition and insurance expenses related to Markel's prospective adoption of Financial Accounting Standards Board Accounting Standard Update No. 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts.

The combined ratio for the first quarter of 2011 included \$69 million, or 15 points, of underwriting loss related to the Australian floods, the New Zealand earthquake and the Japanese earthquake and tsunami. Book value per common share outstanding increased

6% to \$373.20 at 31 March 2012 from \$352.10 at 31 December 2011.

Alan I. Kirshner, chairman and chief executive officer, commented: "Business conditions are improving as we are seeing more opportunities and achieving better prices. In our insurance operations, we saw a 10% increase in premium volume and improved underwriting performance. Our acquisition activity continued in 2012 and we are excited about our two most recent acquisitions – the THOMCO insurance business and the Markel Ventures acquisition of Havco. Our book value per share achieved an all-time high driven by favourable investment returns."

Markel International reported gross written premiums of \$277.6 million for the quarter ended 31 March 2012 compared with \$255.0 million for the first quarter of 2011. The 9% rise was primarily due to an increase in premiums at Markel International's marine and energy division, which benefited from an improved pricing environment and growth.

The combined ratio for Markel International was 94% for the quarter ended 31 March 2012 compared with 152% for the same period of 2011. The 2012 combined ratio excludes \$6 million, or three points of underwriting, acquisition and insurance expenses related to the company's prospective adoption of Financial Accounting Standards Board Accounting Standard

Update No. 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. The improvement in the combined ratio was a consequence of lower attritional loss and expense ratios, favourable prior year development and a benign catastrophe environment compared with the first quarter of 2011.

Andy Davies, finance director at Markel International, commented, "We have experienced an excellent start to 2012 with strong premium growth, a return to underwriting profitability and very favourable investment returns. During the quarter we continued to expand our operations in the UK and internationally through the acquisition of Quay Underwriting in the UK and the joint venture with Anglo Underwriting in Germany. Markel International produced underwriting profits and investment returns of \$104.5 million for the first quarter of 2012 which contributed to a 6% increase in Markel Corporation's book value during the same period."

## Fitch forecast

Fitch Ratings has affirmed Markel Corporation's grade "A" Insurer Financial Strength (IFS), with outlook stable.

# NUMERO UNO

## Making the grade with Spanish brokers

Markel's Spanish team, based in Barcelona and Madrid, has been voted the best professional liability practice in Spain by the broker association Adecose.

For details of the wide range of risks covered, see [www.markelinternational.es](http://www.markelinternational.es)



Professional practice: Markel's Spanish team

## Markel in Malaysia

### KL office strengthens Asia Pacific network

A marketing office has been opened in Kuala Lumpur, underlining Markel's growing interest in the Malaysian marketplace and its commitment to the Asia Pacific region.

It is the company's second office in Malaysia, following the opening of an office in Labuan in 2010. Since then, Markel has steadily grown its premium income in Malaysia and now writes a range of business lines such as oil and gas, marine, product liability, professional indemnity and directors' and officers' liability.



Malaysia man. Sebastian Foo

The Kuala Lumpur office will help to distribute the company's growing product range and further open up the Malaysian market. As the business expands, lines such as trade credit and other financial products will be added.

Sebastian Foo, a Malaysian national, is the main contact for Markel's business partners in Malaysia. He is responsible for developing new opportunities and promoting insurance products within the Malaysian market.

Contact him at [sebastian.foo@markelintl.com](mailto:sebastian.foo@markelintl.com)

## James Leach promoted



James Leach has been promoted to senior contingency underwriter in the specialty division. James has been with Markel since 2009.

Contact him at [James.leach@markelintl.com](mailto:James.leach@markelintl.com)

# Going Deutsch

New Munich team  
underwrites growth in Germany



Back row, left to right: Frederik Wulff, Manuel Hausler, Julia Schneider, Stephan Lindner  
Front row, left to right: Stefan Schwope, Stephanie Rickinger, Katharina Turja, Stefan Kroll

A joint venture agreement with Anglo Underwriting GmbH has created Markel's first German business. Under the terms of the agreement, Markel has taken an initial 50% stake in the Munich-based company with an option to acquire the remaining 50% by 2017. Anglo Underwriting will therefore become a fully-owned Markel business, and its Munich office will add to Markel's growing European network.

The intention is to grow the business and open further offices to serve the German market. The move follows the opening at the end of 2011 of an office in Rotterdam, from which Markel aims to expand across the Netherlands.

Anglo Underwriting was founded in 2005 by Garlich Wulff, and his son, Frederik, has been the MD since 2007. The company works with around 2,500 broking firms across Germany and Austria, and it has some 8,000 individual clients. This wide distribution is one of Anglo Underwriting's key strengths.

The business is split into six lines of industrial; commercial; private; errors

and omissions; professional indemnity; and specialties. With Markel's support, Anglo Underwriting's primary focus is to increase opportunities in the specialty area (professional indemnity, contingency, personal accident, directors and officers) and the private lines business.

Commenting on the joint venture, William Stovin, president and chief operating officer of Markel International, said: "With premiums of more than €180 billion a year, Germany is one of the largest and most attractive markets in Europe. Anglo Underwriting is a successful local player with a culture and niche products that fit our brand. The agreement is a first step in building a much stronger presence in Germany and is part of our overall plan for European expansion."

Frederik Wulff added: "Markel is a family business with strong bonds and values. I admire the company's bold spirit and creative style, which makes it the ideal partner for Anglo Underwriting."

## WHO'S WHO

### FREDERIK WULFF

Anglo Underwriting MD  
and CEO of inex24

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schneider@anglo-underwriting.de



# Into India

Peter Phillips, MD of Markel International Singapore, reflects on insurance opportunities in the Indian marketplace



An old friend of mine from Mumbai once told me that it is impossible to understand India until you appreciate that it lives in four centuries at the same time. So, what can be said about insurance in a country of such diversity?

With non-life penetration at 0.4% (of GDP) the insurance industry remains embryonic. Although it would be unkind to suggest that the industry lives in a different epoch, it is still in the grip of an entrenched orthodoxy and is only now moving away from government pricing controls. Whilst other developed markets have moved to regulatory systems which monitor capital adequacy and solvency, India has too often

been preoccupied with micro-managing insurance pricing. By the same token de-tariffing has had a detrimental effect on the market, which lacks the necessary discipline to align pricing to exposure and is well below international norms. Such indiscipline has been exacerbated by the cheap reinsurance capacity available within India.

In stark contrast are the increasingly sophisticated needs of major Indian corporates, especially those going global and investing far beyond the shores of India. They thirst for expert advice and innovative risk solutions including alternative risk transfer and the formation of captives,



which are not permitted in India. Nor are they easily able to establish policies in India to provide coverage for risks across a growing range of different jurisdictions.

However, the good news is that change is on the way. Although it won't happen overnight, it will be accelerated in a number of ways by the global reinsurance market, not only in terms of the cost of reinsurance but also how reinsurance protections can be deployed. Shareholders are also focusing on bottom-line profitability as opposed to the uncontrolled growth characteristic of the early years after de-nationalisation.

The best news of all is that there will be generous rewards for insurers (and

reinsurers) who are prepared to be prudent and patient. Look at India's demographics: 65% of the population is in the 15-35 age range; the middle class is expected to grow from 250 million to 800 million by 2030, and have awesome spending power; there is explosive growth in the auto and healthcare insurance sectors; and there is a deep desire among Indian corporates for well-crafted insurance solutions.

The demand for specialist insurance is already high and the need to access innovative insurance products, including those addressing cyber risks, political risks, intellectual property protection and environmental risks, alongside more

established products for the oil and gas, construction and maritime industries, will drive liberalisation. Admittedly it seems a far cry from the current stalemate, where the amendment to the Insurance Act, to allow reinsurers offering such solutions to establish on-shore in India, is mired in a fractious parliamentary committee. But market forces and the need to upgrade the industry will surely prevail in the long run.

So those of us with a passion for India will continue to press for industry reform and hopefully inspire the agents of change with the words of Mahatma Gandhi: "We must become the change we want to see."



# Castle crusade

**Want to get fit while raising money for charity?  
Then enter a Markel team triathlon**

The call to arms is on: three castles, three triathlons, three big charity prizes. This summer, with the Olympic Games and Euro 2012 serving as inspiration for armchair athletes, why not pick up the baton yourself and compete for charity "gold" in a Markel triathlon?

As sponsor of the Markel Castle Triathlon Series, a growing sports franchise at castles across Europe, Markel is using the Olympic year to stage its own sporting competition – or rather, three separate competitions under the heading of the "Markel Insurance Challenge".

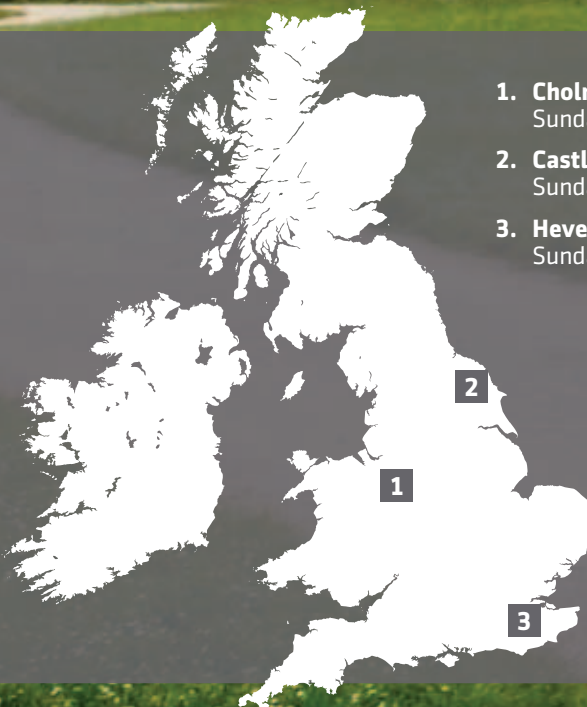
Teams of three (a swimmer, a cyclist and a runner) are invited to compete for their nominated charities at Cholmondeley Castle on 24 June, Castle

Howard on 22 July and Hever Castle on 30 September. Markel will make a £5,000 donation to the winning team's charity at each castle, and the challenge is open to anyone from the age of 16 up. Teams are welcome to compete for the £5,000 prize at all three castles, potentially netting £15,000 for charity.

Because charity is the focus, all teams must create online sponsorship pages, ensuring that money is raised for a wide range of deserving causes. In addition to the charity prize, each member of a winning team will receive the latest iPad.

"Our aim is to raise as much money as possible for charity," said Markel marketing director Sean Martin. "It doesn't matter if you're not a seasoned athlete or have never competed in a

triathlon before; this is a competition that combines fun with fund-raising, so the most important thing is simply to take part. Now that we have two castles in the north and one in the south, there is a real challenge across the UK. We'd like to see brokers, underwriters and other insurance professionals come together and form teams. Even if you don't win one of the charity prizes, you'll be a winner just by entering the challenge and setting up a sponsorship page."



1. **Cholmondeley Castle**  
Sunday 24 June
2. **Castle Howard**  
Sunday 22 July
3. **Hever Castle**  
Sunday 30 September



A knight in full plate armor, including a helmet with a visor, is kneeling on a gravel path. He is holding a sword upright in his right hand. In the background, there is a large, historic castle with multiple towers and conical roofs under a cloudy sky. The knight's armor is highly detailed, with a red surcoat visible under the gauntlets and on the torso. The castle has white stone walls and dark roofs.

## How to enter

- ❑ Form your team of three (swimmer, cyclist, runner)
- ❑ Register for one or more events by emailing [info@castletriathlonseries.co.uk](mailto:info@castletriathlonseries.co.uk) or by calling 01892 870 681

Teams competing in the Markel Insurance Challenge will pay £76 per team, which is almost a 40% discount on the normal entry fee for castle triathlons.

If you have any questions or need further information, please email [colleen.faughnan@markelintl.com](mailto:colleen.faughnan@markelintl.com)

# SOMETHING OLD SOMETHING NEW



## Fine art and collectables business joins Markel UK

Markel has acquired the business portfolio of Quay Underwriting (QU), a managing agent based in Dorset.

The company provides a wide range of insurance products for fine art and collectables, including

bespoke products for niche businesses and unusual risks. The agreement builds on an existing and very successful relationship with Markel, which has underwritten QU's entire book since the launch of the company.

QU was formed in 2009 and employs three people in Bridport. Although founded recently, QU draws on the underwriting experience of its owner, Richard Norman, who has worked with leading insurance brands for many years.

Commenting, Steve Carroll, head of Markel's worldwide retail operations, said: "We have a detailed understanding of QU's products and have built a good rapport with the Bridport team over the last three years. Our aim is to launch fine art and collectables as a new niche product in the UK, with coverage provided through our network of offices. Gross written premium for QU in 2011 was approximately £1 million, a figure that has significant potential for growth through our network."

# Rotterdam celebrates

## Dutch team holds client party and takes hockey honours

Markel's Rotterdam office, which opened for business at the end of 2011, invited clients to a launch party in February. Over 200 people attended the event, which showcased insurance experience in the local marketplace and underlined the skills provided by the Dutch team of more than 20. They offer a wide range of services for professional indemnity, general liability, directors' and officers' insurance and engineering insurance.

Markel also celebrated victory for Alliance Hockey Club, which wears the company's colours. The C2 girls' team became Dutch champions in their class at the end of April.



Welcome address: Elbert-Jan Offerreins at the client party, held at a local yacht club



Hooray for hockey: three cheers for Markel's winners

For more information see [www.markelintl.nl](http://www.markelintl.nl)



# Marine moves

New staff in Canada and the UK have strengthened Markel's global marine and energy business



Richard Burnett:  
Senior cargo underwriter

## Cargo appointment

Richard Burnett has joined Markel's marine and energy division as a senior cargo underwriter. Richard joins from Ark Syndicate Management, where he was one of the founders of the marine team in 2007. He was previously at Wellington Underwriting for 25 years and joined the Lloyd's market in 1981. He has been involved in all principal lines of marine business, including marine liability, hull and war, and most recently has specialised in cargo and specie.

Contact him at [richard.burnett@markelintl.com](mailto:richard.burnett@markelintl.com)

## Making waves

There's a sea change in Canada as Elliott Special Risks (ESR), Markel's Canadian division, establishes a new marine line. Five marine specialists have been recruited to the Montreal office: Diane Brisson, Douglas McRae, Andy Gordon, Anna Maria Tonin and Matthieu L'Affeter. All have experience at AXA/Intact and will provide liability, hull and cargo coverage.



Montreal mariners: (left to right) Douglas McRae, Matthieu L'Affeter, Diane Brisson, Andy Gordon, Anna Maria Tonin

## ADDING VALUE

There's more to Markel's social welfare cover than meets the eye

### Did you know?

Markel UK's social welfare policyholders can access Janjer Ltd, a specialist health and social care consultancy

The support available includes strategic advice to help your clients trade more successfully in the healthcare market

In the past year, requests for Markel and Janjer Ltd support have increased by 700%

### Not sure what's on offer?

Visit the Policyholder services section on [www.markeluk.com](http://www.markeluk.com)

## STOP PRESS

ESR is pleased to announce that it has also hired two marine specialists in Vancouver, underlining Markel's commitment to develop a marine business in Canada. They are Gerry Clayton and Alain Matkin.





# CHAMPIONS IN CHICAGO VICTORS IN VANCOUVER



Winning team: Gina Bennett (left) with Guy House and Nancy Costa

Sponsored by Markel, Lloyd's Rugby Club makes it two out of three in North America

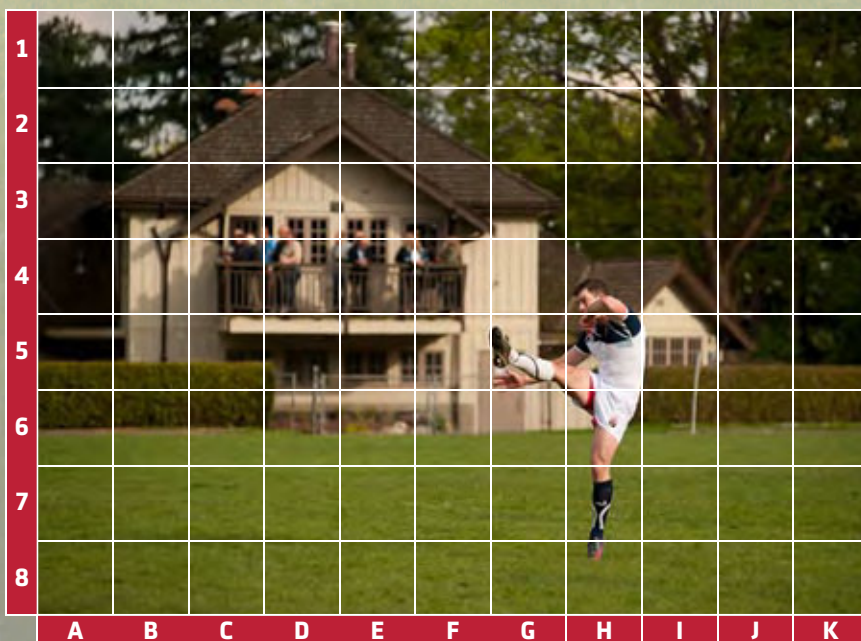
Markel's Guy House was among the players who recently completed a memorable Lloyd's Rugby Football Club tour of the USA and Canada.

Markel was also one of the main sponsors of the three-city competition and hosted the reception in Vancouver, which was attended by guests of Elliott Special Risks and All Sport, Markel's Canadian businesses.

The touring team represented a good cross-section of the London market and won its games in Chicago and Vancouver, against Chicago Riot and The Presidents XV respectively, but lost its final game in Austin against the Austin Blacks.

Congratulations to the 32 players for keeping the club's 100% record as a visiting team: in almost 90 years of existence the club has never lost a tour.





## Spot the ball

Here's some action from the Vancouver game. Think you know where the ball is? Just pick a square and send the coordinates by email to [siobhan.mullahy@markelintl.com](mailto:siobhan.mullahy@markelintl.com). The sender of the first correct entry will receive a bottle of champagne and a Markel-branded rugby ball.

# Now showing at BIBA

## Cinema was the backdrop for this year's Markel stand

Exploring the theme of unrivalled knowledge of specialist sectors, Markel's retail team at BIBA 2012 used the world of cinema to highlight why Markel UK is such a winning production for professionals, social welfare organisations and specialty risks.

Visitors to the stand were invited to enter a competition to win a home cinema system by answering quiz questions about Markel, with the clues provided in film references on the stand panels. Congratulations to the winner: Elyas Mogra of Bolton-based Arkwright Insurance Brokers.



Usherettes and underwriters: star service from the retail team



Box office appeal: Markel's homage to the movies

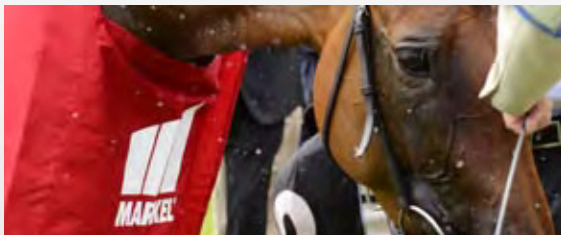


## En route for S2

Markel's Syndicate 3000 has been given 'Green' status by Lloyd's. Markel International Insurance Company (MIICL) will be applying for Internal Model approval to the FSA in July.



# SPONSORSHIP SPOTLIGHT



## RACING CERTAINTIES

The Markel Insurance Maiden Fillies' Stakes and the Markel Insurance Nassau Stakes will be held during Glorious Goodwood week (31 July-4 August). This is the second year in a row that Markel has sponsored the Nassau Stakes and the fifth consecutive year for the Maiden Fillies' Stakes.

Smart money: have a flutter on a Markel race



## THREE OF A KIND

Sam Thomas and William Buick have renewed their contracts with Markel and will represent the company on and off the race track for a further two years. They are joined by jockey Lucy Alexander (see back page interview), a rising star who will also promote the Markel brand.

Markel men: Sam Thomas (left) and William Buick will be joined by Lucy Alexander



## CHARITY BOX

Markel is again sponsoring a charity boxing evening in London. This year's event, entitled 'Big Night at the Brewery' follows the success of 'Showdown at St Paul's' last October, which raised nearly £30,000 for charity. The 2012 show will be held on 27 September at the Brewery, 52 Chiswell Street. The principal charity will be announced shortly.

Big night: Markel's charity boxing event is set to be another hit in the market



## YEEHA!

Le Centaure, a Markel company that provides a wide range of equine products in France, was a sponsor of the National Reining Horse Association (NRHA) European Futurity Show in Germany this March. The show is the biggest NRHA-approved event outside North America and offers one of the largest purses in reining worldwide. More than 300 riders gave a fine display of cowboy and cowgirl equine skills. See [www.lecentaure.com](http://www.lecentaure.com).

Rein makers: equestrians from across the world showed their skills in Germany

# Time of my life

**Lucy Alexander** is a new addition to Markel's stable of sponsored jockeys. At 21, she is taking the world of jump racing by storm as the country's first ever female professional jockey

**Why did you decide to become a professional jockey?**

I've been involved with racing all my life and riding as an amateur since I was 16. I tried the student life for a while, studying biology and then sports science, but my heart just wasn't in it. All I wanted to do was ride!

**Is it daunting being this country's first professional female jump jockey?**

Not really. People said there might be prejudice as a girl riding in a tough man's world, but I think people have got used to me now. I'm getting rides for all sorts of trainers so I just hope I can keep improving and that it continues.

**Jump jockeys are far more likely to get injured. How have you coped so far?**

I've been knocked out a few times but not yet had any breaks. I know it's part of the job and will come, so I'll just have to cope when it happens. I try to stay healthy and robust, which helps you bounce rather than break!



Riding tall: Lucy will help to raise Markel's profile

**Ferdy Murphy (trainer) is quoted as saying you have 'size eight feet and hands like an Irish navvie' – is that a hidden compliment?**

I think he upset my granny with that but I've forgiven him! Probably what he meant to say was that I'm a robust girl who can cope in a male dominated world.

**How do you keep fit and what is your diet like? Any issues with weight like so many of your male counterparts?**

As a jump jockey we can weigh more than those who ride on the flat so I'm lucky as I weigh about 9 stone 4. I don't need to crash diet or sweat very often but I run, do press ups and go on my ecquiciser (mechanical horse) to keep me fit and strong. I don't drink alcohol, don't smoke and eat normal healthy food.

**What's a typical day in your world?**

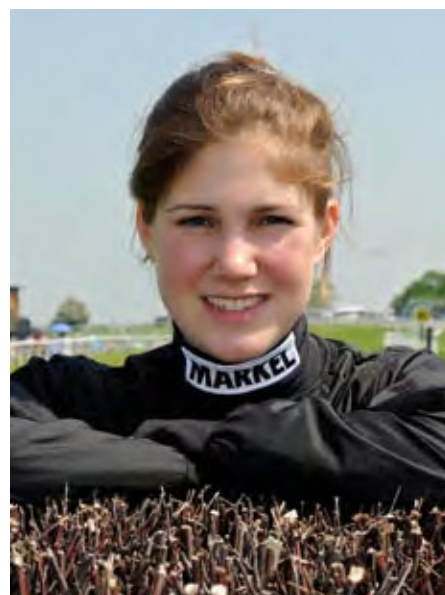
I get up at about 6.30am, usually ride out about three horses and then head to the races in the car. I then ride, drive home and go to bed. It's like that 7 days a week – a lot of driving and riding, but not much else.

**What has been your best day's racing so far?**

Riding a couple of doubles... and winning the Castleford Chase at Wetherby on Charingworth in December 2011.

**And your worst?**

I've not yet really had a hideous day's racing but am sure I have that to come.



**"It's good that people are talking about me, but I know that racing can be a fickle business and you can go down as quickly as you go up, so I try not to take it too seriously."**

**How do you cope with the pressure of being 'the female jockey tipped for the top'?**

It's good that people are talking about me, but I know that racing can be a fickle business and you can go down as quickly as you go up, so I try not to take it too seriously. I don't feel the need to live up to anything; I just want to keep getting better.

**What's your ambition and what would you most like to achieve?**

I don't have set races in mind, I just want to be as good as I can be...

## Questions on the gallop

**Who do you most admire in racing?**  
AP McCoy for his consistency

**Name one thing about yourself most people don't know.** I have one green eye and one brown eye

**If you could change one thing about yourself what would it be?**  
My car parking

Interview by Liz Ampairee