SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 1999

or

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

Commission File Number 1-13051

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

Virginia	54-0292420
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

4551 Cox Road, Glen Allen, Virginia 23060-3382
(Address of principal executive offices)
(Zip code)

(804) 747-0136
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Number of shares of the registrant's common stock outstanding at October 28, 1999: 5,598,056

Markel Corporation
Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	September 30, 1999	December 31, 1998
	(dollars in thousands)	
ASSETS		
Investments, available-for-sale, at estimated fair value		
Fixed maturities (cost of $1,316,895 in 1999 and $1,041,155 in 1998)	$ 1,285,686	$ 1,070,978
Equity securities (cost of $217,643 in 1999 and $200,004 in 1998)	281,409	317,887
Short-term investments (estimated fair value approximates cost)	85,391	92,228
Total Investments, Available-For-Sale	1,652,486	1,481,093
Cash and cash equivalents	1,476	1,527
Receivables	102,699	68,138
Reinsurance recoverable on unpaid losses	400,037	198,288
Reinsurance recoverable on paid losses	38,697	21,205
Deferred policy acquisition costs	50,859	40,471
Prepaid reinsurance premiums	72,636	42,241
Property and equipment	9,667	7,981
Intangible assets	93,529	35,298
Other assets	85,250	25,022
Total Assets	$ 2,507,336	$ 1,921,264
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unpaid losses and loss adjustment expenses	$ 1,376,745	$ 933,830
Unearned premiums	288,164	205,908
Payables to insurance companies	67,396	22,715
Long-term debt (estimated fair value of $156,852 in 1999 and $96,931 in 1998)	158,258	93,219
Other liabilities	80,790	90,291
Company-Obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust Holding Solely Junior Subordinated Deferrable Interest Debentures of Markel Corporation (estimated fair value of $124,500 in 1999 and $144,453 in 1998)	150,000	150,000
Total Liabilities	2,121,353	1,495,963
Shareholders' equity		
Common stock	25,593	25,415
Retained earnings	339,229	303,878
Accumulated other comprehensive income		
Net unrealized holding gains on fixed maturities and equity securities, net of taxes	21,161	96,008
Total Shareholders' Equity	385,983	425,301
Total Liabilities and Shareholders' Equity	$ 2,507,336	$ 1,921,264

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(dollars in thousands, except per share data)			
OPERATING REVENUES				
Earned premiums	$ 110,311	$ 84,665	$ 327,047	$ 248,089
Net investment income	21,943	18,409	66,253	53,137
Net realized gains from investment sales	254	1,814	9,297	11,434
Other	491	206	1,426	665
Total Operating Revenues	132,999	105,094	404,023	313,325
OPERATING EXPENSES				
Losses and loss adjustment expenses	72,444	54,207	210,747	157,293
Underwriting, acquisition and insurance expenses	41,152	29,356	123,463	86,754
Amortization of intangible assets	1,564	508	4,184	1,525
Total Operating Expenses	115,160	84,071	338,394	245,572
Operating Income	17,839	21,023	65,629	67,753
Interest expense	6,280	5,109	19,098	15,290
Income Before Income Taxes	11,559	15,914	46,531	52,463
Income tax expense	2,775	3,819	11,168	12,591
Net Income	$ 8,784	$ 12,095	$ 35,363	$ 39,872
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains (losses) on securities, net of taxes				
Net unrealized holding gains (losses) arising during the period	$ (36,575)	$ (7,765)	$ (68,804)	$ 14,349
Less reclassification adjustments for gains included in net income	(165)	(1,179)	(6,043)	(7,432)
Total Other Comprehensive Income (Loss)	(36,740)	(8,944)	(74,847)	6,917
Comprehensive Income (Loss)	$ (27,956)	$ 3,151	$ (39,484)	$ 46,789
NET INCOME PER SHARE				
Basic	$ 1.57	$ 2.20	$ 6.34	$ 7.25
Diluted	$ 1.55	$ 2.14	$ 6.27	$ 7.07

See accompanying notes to consolidated financial statements.

MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	1999	1998
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net Income	$ 35,363	$ 39,872
Adjustments to reconcile net income to net cash provided by operating activities	(22,494)	(1,073)
Net Cash Provided By Operating Activities	12,869	38,799
INVESTING ACTIVITIES		
Proceeds from sales of fixed maturities and equity securities	795,684	320,942
Proceeds from maturities of fixed maturities	38,443	84,594
Cost of fixed maturities and equity securities purchased	(718,869)	(469,677)
Net change in short-term investments	6,837	26,145
Acquisition of insurance company, net of cash acquired	(143,557)	—
Other	(749)	(1,298)
Net Cash Used By Investing Activities	(22,211)	(39,294)
FINANCING ACTIVITIES		
Additions to long-term debt	105,000	—
Repayments of long-term debt	(95,000)	—
Other	(709)	553
Net Cash Provided By Financing Activities	9,291	553
Increase (decrease) in cash and cash equivalents	(51)	58
Cash and cash equivalents at beginning of period	1,527	1,309
Cash And Cash Equivalents At End Of Period	$ 1,476	$ 1,367

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - September 30, 1999

1. Principles of Consolidation

The consolidated balance sheet as of September 30, 1999, the related consolidated statements of income and comprehensive income for the quarters and nine months ended September 30, 1999 and 1998, and the consolidated statements of cash flows for the nine months ended September 30, 1999 and 1998, are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results of operations for the full year.

The consolidated financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Company's annual consolidated financial statements and notes.

2. Net Income Per Share

Net income per share was determined by dividing net income by the applicable shares outstanding (in thousands):

	Quarter Ended		Nine Months Ended September 30,	
September 30,				
	1999	1998	1999	1998
Net income, as reported (basic and diluted income)	$ 8,784	$ 12,095	$ 35,363	$ 39,872
Average basic common shares outstanding	5,594	5,509	5,580	5,503
Dilutive potential common shares	60	140	60	140
Average diluted shares outstanding	5,654	5,649	5,640	5,643

3. Reinsurance

The table below summarizes the effect of reinsurance on premiums written and earned (dollars in thousands):

	Quarter Ended September 30,			
	1999		1998	
	Written	Earned	Written	Earned
Direct	$ 145,591	$ 137,769	$ 116,707	$ 105,504
Assumed	4,469	7,705	948	947
Ceded	(38,588)	(35,163)	(23,958)	(21,786)
Net premiums	$ 111,472	$ 110,311	$ 93,697	$ 84,665

	Nine Months Ended September 30,			
	1999		1998	
	Written	Earned	Written	Earned
Direct	$ 426,766	$ 424,746	$ 331,378	$ 308,704
Assumed	23,588	17,892	3,904	4,246
Ceded	(124,302)	(115,591)	(71,171)	(64,861)
Net premiums	$ 326,052	$ 327,047	$ 264,111	$ 248,089

Incurred losses and loss adjustment expenses are net of reinsurance recoveries of $34.6 million and $12.7 million for the quarters ended September 30, 1999 and 1998, respectively and $88.0 million and $42.6 million for the nine months ended September 30, 1999 and 1998, respectively.

4. Company Obligated Mandatorily Redeemable Preferred Securities (8.71% Capital Securities)

On January 8, 1997 the Company arranged the sale of $150 million of 8.71% Capital Securities issued under an Amended and Restated Declaration of Trust dated January 13, 1997 (The Declaration) by Markel Capital Trust I (the Trust), a statutory business trust sponsored and wholly-owned by Markel Corporation. Proceeds from the sale of the 8.71% Capital Securities were used to purchase $154,640,000 aggregate principal amount of the Company's 8.71% Junior Subordinated Deferrable Interest Debentures (the Debentures) due January 1, 2046, issued to the Trust under an indenture dated January 13, 1997 (the Indenture). The Debentures are the sole assets of the Trust. The Company has the right to defer interest payments on the Debentures for up to five years. The 8.71% Capital Securities and related Debentures are redeemable by the Company on or after January 1, 2007. Taken together, the Company's obligations under the Debentures, the Indenture, the Declaration and a guarantee made by the Company provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of distributions and other amounts due on the 8.71% Capital Securities.

5. Comprehensive Income

Other comprehensive income (loss) is composed of net unrealized holding gains (losses) on securities arising during the period less reclassification adjustments for gains included in net income. The related tax expense (benefit) on net unrealized holding gains (losses) on securities was $(19.7) million and $(37.0) million for the quarter and nine months ended September 30, 1999 and $(4.2) million and $7.7 million for the same periods in 1998. The related tax expense on the reclassification adjustments for gains included in net income was $0.1 million and $3.3 million for the quarter and nine months ended September 30, 1999, respectively and $0.6 million and $4.0 million for the same periods in 1998.

6. Acquisition

On January 15, 1999, the Company acquired Gryphon Holdings, Inc. and its subsidiaries (Gryphon) as the result of the completion of a public tender offer. The Company's third quarter and nine month results for the period ending September 30, 1999 include Gryphon's results of operations since the date of acquisition. The acquisition was accounted for using the purchase method of accounting. Total consideration paid for Gryphon was approximately $145.7 million. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired was recorded as goodwill and is being amortized using the straight-line method over 20 years. The Company funded the transaction with available cash of approximately $95.7 million and borrowings of approximately $50 million. In addition the Company refinanced $55.0 million of Gryphon's long-term debt.

7. Segment Reporting Disclosures

The Company has five underwriting units focused on specific niches within the Excess and Surplus Lines and Specialty Admitted markets. Excess and Surplus Lines, Professional/Products Liability and Brokered Excess and Surplus Lines write business in the Excess and Surplus Lines market and for purposes of segment reporting are aggregated as one operating segment. Specialty Program Insurance and Specialty Personal and Commercial Lines write business in the Specialty Admitted market and for purposes of segment reporting are aggregated as one operating segment. All investing activities are included in the Investing operating segment.

The Company has significantly restructured Gryphon's operations and Gryphon's premium volume has decreased by more than 50% from preacquisition levels. The Gryphon programs that the Company continues will be

7. Segment Reporting Disclosures (continued)

administered by underwriting units in the Excess and Surplus Lines operating segment. Gryphon's discontinued programs are included in Other for purposes of segment reporting.

The Company considers many factors including the nature of the underwriting units' insurance products, production sources, distribution strategies and regulatory environment in determining how to aggregate operating segments.

Segment profit or loss for the Excess and Surplus Lines and the Specialty Admitted operating segments is measured by underwriting profit or loss. Segment profit for the Investing operating segment is measured by net investment income and realized gains or losses.

The Company does not allocate assets to the Excess and Surplus Lines or the Specialty Admitted operating segments for management reporting purposes. The total investment portfolio is allocated to the Investing operating segment. The Gryphon acquisition increased the total investment portfolio by approximately $300 million in the first quarter of 1999. The Company does not allocate capital expenditures for long-lived assets to any of its operating segments for management reporting purposes.

a) Following is a summary of segment disclosures:

Segment Revenues

Quarter Ended September 30,			Nine Months Ended September 30,	
1999	1998	*(dollars in thousands)*	1999	1998
$ 72,343	$ 57,810	Excess & Surplus Lines	$ 210,593	$ 170,978
30,540	26,855	Specialty Admitted	84,882	77,111
22,197	20,223	Investing	75,550	64,571
7,428	—	Other	31,572	—
$ 132,508	$ 104,888	Total	$ 402,597	$ 312,660

Segment Profit (Loss)

Quarter Ended September 30,			Nine Months Ended September 30,	
1999	1998	*(dollars in thousands)*	1999	1998
$ 3,173	$ 2,278	Excess & Surplus Lines	$ 12,666	$ 8,469
(2,672)	(1,176)	Specialty Admitted	(5,385)	(4,427)
22,197	20,223	Investing	75,550	64,571
(3,786)	—	Other	(14,444)	—
$ 18,912	$ 21,325	Total	$ 68,387	$ 68,613

Combined Ratio

Quarter Ended September 30,			Nine Months Ended September 30,	
1999	1998		1999	1998
96%	96%	Excess & Surplus Lines	94%	95%
109%	104%	Specialty Admitted	106%	106%
—	—	Investing	—	—
151%	—	Other	146%	—
103%	99%	Total	102%	98%

7. Segment Reporting Disclosures (continued)

Segment Assets (dollars in thousands)

	September 30, 1999	September 30, 1998
Excess & Surplus Lines	$ —	$ —
Specialty Admitted	—	—
Investing	1,652,486	1,462,860
Other	854,850	446,540
Total	$ 2,507,336	$ 1,909,400

b) The following summary reconciles segment profit to income before income taxes (dollars in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Income before income taxes				
Segment profit	$ 18,912	$ 21,325	$ 68,387	$ 68,613
Unallocated amounts				
Amortization expense	(1,564)	(508)	(4,184)	(1,525)
Interest expense	(6,280)	(5,109)	(19,098)	(15,290)
Other	491	206	1,426	665
Income Before Income Taxes	$ 11,559	$ 15,914	$ 46,531	$ 52,463

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Quarter and Nine Months ended September 30, 1999 compared to Quarter and Nine Months ended September 30, 1998

The Company underwrites specialty insurance products and programs for niche markets. Significant areas of underwriting include Excess and Surplus Lines, Professional/Products Liability, Brokered Excess and Surplus Lines, Specialty Programs and Specialty Personal and Commercial Lines. Property and casualty insurance for nonstandard and hard-to-place risks is underwritten by the Excess and Surplus Lines unit. Professional liability coverage is offered to physicians and health professionals, insurance companies, attorneys and architects and engineers. Special risk programs provide products liability insurance for manufacturers and distributors and tailored coverages for other unique exposures. In addition, employment practices liability coverage is offered. The Brokered Excess and Surplus Lines unit writes hard-to-place, large general liability, commercial umbrella, products liability and property accounts. Gryphon's continuing lines of business consist of an earthquake exposed California property program, professional liability programs and several specialty casualty programs. Specialty Program Insurance includes coverage for camps, youth and recreation, child care, health and fitness and agribusiness organizations, as well as accident and medical insurance for colleges. The Company also underwrites personal and commercial property and liability coverages for watercraft and motorcycles.

Following is a comparison of gross premium volume by significant underwriting area:

Quarter Ended September 30,		Gross Premium Volume	Nine Months Ended September 30,	
1999	1998	*(dollars in thousands)*	1999	1998
$ 34,409	$ 30,312	Excess and Surplus Lines	$ 98,351	$ 89,872
34,059	29,771	Professional/Products Liability	103,154	92,986
19,665	18,558	Brokered Excess and Surplus Lines	54,861	50,423
20,144	—	Gryphon Continuing Programs	54,459	—
27,600	26,816	Specialty Program Insurance	62,049	66,101
11,776	12,124	Specialty Personal and Commercial Lines	42,796	33,918
2,785	—	Gryphon Discontinued Programs	34,353	—
360	680	Other	1,169	2,478
$ 150,798	$ 118,261	Total	$ 451,192	$ 335,778

Gross premium volume was $150.8 million for the third quarter and $451.2 million for the nine month period in 1999 compared to $118.3 million and $335.8 million, respectively, for the same periods last year. The growth was primarily the result of the Gryphon acquisition which added $22.9 million and $88.8 million to the Company's gross premium volume in the third quarter and nine month period of 1999. As the Company re-underwrites the Gryphon programs, the Gryphon business is expected to decline significantly. The Company's core books of business, excluding the effect of Gryphon, increased 8% in both the third quarter and first nine months of 1999.

Excess and Surplus Lines third quarter gross premium volume increased 14% to $34.4 million from $30.3 million in 1998. For the nine month period, gross premium volume rose 9% to $98.4 million from $89.9 million last year. The growth in both periods was due to increased production in the casualty, inland marine and Essex special property programs.

Third quarter gross premium volume from Professional/Products Liability rose 14% to $34.1 million from $29.8 million a year ago. For the nine month period, gross premium volume advanced 11% to $103.2 million from $93.0 million in 1998. For the quarter, the increase was the result of growth in the employment practices liability, special risks and specified professions programs. For the first nine months of 1999, growth in the employment practices liability and specified professions programs was partially offset by lower production from the medical malpractice and lawyers programs.

Gross premiums from Brokered Excess and Surplus Lines totaled $19.7 million in the third quarter of 1999 compared to $18.6 million in 1998. For the nine month period, gross premium volume grew to $54.9 million from $50.4 million last year. The increase in both periods was primarily due to higher gross premium volume in the unit's excess and umbrella and property programs.

Gross premium volume for the Gryphon programs that the Company will continue was $20.1 million in the third quarter of 1999 and $54.5 million for the nine month period. For the nine month period of 1999, continuing program gross premium volume consisted of $36.1 million of earthquake exposed California property business which will become part of the Excess and Surplus Lines unit's special property program, $11.5 million of professional liability business which will become part of the Professional/Products Liability unit and $6.9 million of casualty programs, most of which will be administered by the Brokered Excess and Surplus Lines underwriting unit.

In the third quarter of 1999, Specialty Program Insurance gross premium volume increased to $27.6 from $26.8 million in 1998. For the nine month period, gross premium volume was $62.0 million compared to $66.1 million in 1998. Increased competition in the youth and recreation and agribusiness programs was partially offset by continued growth in the surety program and the sports liability, accident and medical program.

Third quarter gross premium volume from Specialty Personal and Commercial Lines was $11.8 million compared to $12.1 million last year. For the nine month period, gross premium volume rose to $42.8 million from $33.9 million in 1998. The 1999 nine month increase was primarily due to the acquisition of a yacht program which added $16.5 million in gross premium, including $7.3 million of unearned premium at the date of acquisition. This growth was partially offset by the discontinuance of certain property programs. The yacht program is expected to generate approximately $18 million of gross premium volume in 1999.

Gross premium volume for the discontinued Gryphon programs was $2.8 million in the third quarter and $34.4 million for the nine month period in 1999. The Company reviewed all of Gryphon's programs at the time of acquisition and determined that certain programs were unprofitable and presented little opportunity to generate future underwriting profits. The Company has discontinued these programs and is working aggressively to run-off these programs.

Other gross premiums totaled $0.4 million in the third quarter of 1999 compared to $0.7 million in the prior year. For the nine month period in 1999, other gross premiums totaled $1.2 million compared to $2.5 million a year ago. Other gross premium volume consisted primarily of facultative reinsurance placed by the Professional/Products Liability unit.

Currently many of the Company's products are being adversely affected by increased competition and lower rates in the property and casualty market. The Company does not intend to relax underwriting standards in order to sustain premium volume. Further, the volume of premiums written may vary significantly with the Company's decision to alter its product concentration to maintain or improve underwriting profitability.

The Company enters into reinsurance agreements in order to reduce its liability on individual risks and enable it to underwrite policies with higher limits. The Company's net retention of gross premium volume decreased to 74% in the third quarter of 1999 and 72% in the nine month period compared to 79% for both periods in the prior year. The decrease was due to low retentions on Gryphon's California property program.

Total operating revenues for the third quarter of 1999 rose to $133.0 million from $105.1 million in the prior year. For the nine month period, operating revenues rose to $404.0 million from $313.3 million in 1998.

Quarter Ended September 30,		Earned Premiums	Nine Months Ended September 30,	
1999	1998	*(dollars in thousands)*	1999	1998
$ 22,803	$ 21,126	Excess and Surplus Lines	$ 65,387	$ 64,758
30,232	26,713	Professional/Products Liability	86,578	77,286
11,975	9,971	Brokered Excess and Surplus Lines	33,264	28,926
7,333	—	Gryphon Continuing Programs	25,364	—
17,904	16,287	Specialty Program Insurance	50,239	46,864
12,636	10,568	Specialty Personal and Commercial Lines	34,643	30,247
7,428	—	Gryphon Discontinued Programs	31,572	—
—	—	Other	—	8
$ 110,311	$ 84,665	Total	$ 327,047	$ 248,089

Third quarter earned premiums were $110.3 million compared to $84.7 million in 1998. Nine month earned premiums were $327.0 million compared to $248.1 million a year ago. The growth in the third quarter was the result of $14.8 million of earned premiums for Gryphon and $10.9 million of growth from existing operations. For the nine month period, the growth resulted from $56.9 million of Gryphon earned premiums and $22.0 million of growth from existing operations.

Third quarter net investment income increased 19% to $21.9 million from $18.4 million in 1998. For the nine month period, net investment income rose 25% to $66.3 million from $53.1 million last year. The increases were primarily the result of the Gryphon acquisition which added approximately $300 million to the Company's investment portfolio in January 1999.

In the third quarter, the Company realized $0.3 million of investment gains compared to $1.8 million of gains in 1998. For the nine month period, realized investment gains were $9.3 million compared to gains of $11.4 million for the same period last year. Variability in the timing of realized and unrealized investment gains and losses is to be expected.

Total operating expenses for the third quarter were $115.2 million compared to $84.1 million in 1998. Total operating expenses for the nine month period were $338.4 million compared to $245.6 million a year ago. The increases resulted primarily from the Gryphon acquisition.

Following is a comparison of selected data from the Company's operations (dollars in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Gross premium volume	$ 150,798	$ 118,261	$ 451,192	$ 335,778
Net premiums written	$ 111,472	$ 93,697	$ 326,052	$ 264,111
Net retention	74%	79%	72%	79%
Earned premiums	$ 110,311	$ 84,665	$ 327,047	$ 248,089
Losses and loss adjustment expenses	$ 72,444	$ 54,207	$ 210,747	$ 157,293
Underwriting, acquisition and insurance expenses	$ 41,152	$ 29,356	$ 123,463	$ 86,754
Underwriting profit (loss)	$ (3,285)	$ 1,102	$ (7,163)	$ 4,042
GAAP ratios				
Loss ratio	66%	64%	64%	63%
Expense ratio	37%	35%	38%	35%
Combined ratio	103%	99%	102%	98%

Underwriting performance is measured by the combined ratio of losses and expenses to earned premiums. For the third quarter and nine month period ended September 30, 1999, the Company reported a combined ratio of 103% and 102%, respectively, compared to a combined ratio of 99% and 98% in the same periods of 1998. The underwriting losses in 1999 were the result of Gryphon's combined ratio of 131% and 126% for the third quarter and nine month period, respectively. Excluding Gryphon, the Company's 1999 combined ratio was 99% and 97% for the quarter and nine month period, respectively.

The third quarter and nine month period loss ratio was 66% and 64%, respectively, compared to 64% and 63% for the same periods of 1998. For the third quarter and nine month period of 1999, favorable loss development in the Excess & Surplus Lines operating segment was more than offset by the higher loss ratio on Gryphon's discontinued lines of business and $2.7 million ($2.1 million after tax) of property losses related to Hurricane Floyd. The third quarter and nine month period expense ratio was 37% and 38%, respectively, compared to 35% for both periods in 1998. The increase was due to expenses incurred to runoff Gryphon's discontinued lines. The Company is working to reduce the expense of administering Gryphon's discontinued lines.

The Company's five underwriting units focus on specific niches within the Excess and Surplus Lines and Specialty Admitted markets. Excess and Surplus Lines, Professional/Products Liability and Brokered Excess and Surplus Lines write business in the Excess and Surplus Lines market and for purposes of segment reporting are aggregated as one operating segment. The Gryphon programs that the Company will continue will be administered by underwriting units in the Excess and Surplus Lines operating segment. Specialty Program Insurance and Specialty Personal and Commercial Lines write business in the Specialty Admitted market and for purposes of segment reporting are aggregated as one operating segment.

The combined ratio for the Excess and Surplus Lines segment was 96% in the third quarter of 1999 and 1998. For the nine month period, the Excess and Surplus Lines segment combined ratio decreased to 94% from 95% in 1998. The decrease was due to continued favorable loss development, partially offset by property losses from Hurricane Floyd and higher acquisition costs. For the third quarter of 1999, the Specialty Admitted segment's combined ratio increased to 109% from 104% in the prior year. The combined ratio for the Specialty Admitted segment was 106% for the first nine months of 1999 and 1998. The increase in the third quarter of 1999 was due to property losses from Hurricane Floyd, partially offset by lower acquisition costs.

Amortization of intangible assets was $1.6 million in the third quarter of 1999 compared to $0.5 million last year. For the nine month period, amortization of intangible assets was $4.2 million compared to $1.5 million in 1998. The increase in both periods was primarily the result of goodwill from the Gryphon acquisition which is being amortized over 20 years.

Interest expense was $6.3 million in the third quarter of 1999 compared to $5.1 million in 1998. Interest expense was $19.1 million for the nine month period in 1999 compared to $15.3 million last year. In January 1999, the Company borrowed $105 million under its $250 million revolving credit facility to complete the acquisition of Gryphon.

The Company's effective tax rate for both periods of 1999 and 1998 was 24% of income before income taxes.

In evaluating its operating performance, the Company focuses on core underwriting and investing results before consideration of realized gains or losses from the sales of investments and expenses related to the amortization of intangible assets. Management believes this is a better indicator of the Company's operating performance because it reduces the variability in results associated with realized investment gains or losses and eliminates the impact of accounting conventions which do not reflect current operating costs. For the third quarter of 1999, income from core underwriting and investing operations was $10.0 million, or $1.77 per diluted share, compared to $11.3 million, or $2.01 per diluted share, in 1998. For the nine month period, income from core underwriting and investing operations was $33.2 million, or $5.89 per diluted share, compared to $33.7 million, or $5.98 per diluted share, in 1998. The decreases were due to $2.7 million ($2.1 million after tax), or $0.37 per diluted share of property losses from Hurricane Floyd.

Third quarter 1999 net income was $8.8 million compared to $12.1 million in 1998. For the nine month period of 1999, net income was $35.4 million compared to $39.9 million last year. The decrease was due to underwriting losses and lower realized gains in 1999, partially offset by higher net investment income. Comprehensive income for the third quarter of 1999 was a loss of $28.0 million, or $4.94 per diluted share, compared to comprehensive income of $3.2 million, or $0.56 per diluted share, in 1998. The decrease was primarily the result of the net decrease in unrealized gains of $6.49 per diluted share in 1999 compared to the net decrease in unrealized gains of $1.58 per diluted share in 1998. For the nine month period, comprehensive income was a loss of $39.5 million, or $7.00 per diluted share, compared to comprehensive income of $46.8 million, or $8.29 per diluted share, last year. The decrease was primarily the result of the net decrease in unrealized gains of $13.27 per diluted share in 1999 compared to the net increase in unrealized gains of $1.22 per diluted share in 1998.

Financial Condition as of September 30, 1999

The Company's insurance operations collect premiums and pay current claims, reinsurance commissions and operating expenses. Premiums collected and positive cash flows from the insurance operations are invested primarily in short-term investments and long-term bonds. Short-term investments held by the Company's insurance subsidiaries provide liquidity for projected claims, reinsurance costs and operating expenses. To the extent that operating cash flows are negative during any period of time, a portion of the Company's investment portfolio may be liquidated to meet operating needs.

On January 15, 1999, the Company acquired Gryphon Holdings, Inc. and its subsidiaries as the result of the completion of a public tender offer. The Company's results for the third quarter and nine month period ended September 30, 1999 include Gryphon's results of operations since the date of acquisition. The acquisition was accounted for using the purchase method of accounting. Total consideration paid for Gryphon was approximately $145.7 million. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired was recorded as goodwill and is being amortized using the straight-line method over 20 years. The Company funded the transaction with available cash of approximately $95.7 million and borrowings of approximately $50.0 million. In addition the Company refinanced $55.0 million of Gryphon's long-term debt.

The Company's invested assets increased to $1.7 billion at September 30, 1999 from $1.5 billion at December 31, 1998. The increase was primarily the result of the Gryphon acquisition. The Company's unpaid losses and loss adjustment expense reserves and paid and unpaid reinsurance recoverables increased to $1.4 billion and $438.7 million at September 30, 1999 from $933.8 million and $219.5 million, respectively, at December 31, 1998. The increases were the result of the purchase of Gryphon and Gryphon's historically higher dependence on reinsurance.

For the nine month period ended September 30, 1999, the Company reported net cash provided by operating activities of $12.9 million, compared to net cash provided by operating activities of $38.8 million for the same period in 1998. The decrease in 1999 was the result of Gryphon's use of $36.0 million of operating cash for the first nine months of 1999. The Company continues to reunderwrite and discontinue various Gryphon programs. As a result, Gryphon's operations are expected to generate negative operating cash flows which will partially offset the operating cash flows generated by the Company's core underwriting units.

Proceeds from sales of fixed maturities and equity securities were $795.7 million for the nine months ended September 30, 1999 compared to $320.9 million for the same period in 1998. Cost of fixed maturities and equity securities purchased was $718.9 million for the nine months ended September 30, 1999 compared to $469.7 million for the same period in 1998. Both increases were primarily due to the reallocation of the Gryphon portfolio from short-term investments into fixed maturities after Gryphon's acquisition on January 15, 1999.

As of September 30, 1999 and December 31, 1998, the unused balances available under the Company's $250 million revolving credit facility totaled $185 million and $250 million, respectively. Funds are available under the facility for general corporate purposes. During the third quarter of 1999, the Company repaid $40 million of the $105 million of borrowings used to fund the purchase of Gryphon. A portion of the funds used resulted from the sale of an unneeded Gryphon insurance subsidiary as a shell for approximately $22.0 million.

On August 15, 1999, Markel signed an agreement to acquire Terra Nova (Bermuda) Holdings Ltd. (NYSE:TNA) for cash and stock valued at $905.0 million. In addition, $175.0 million of Terra Nova debt will remain outstanding. The transaction, which is subject to approval by the shareholders of both Markel and Terra Nova, the receipt of necessary regulatory approvals and other customary closing conditions, is expected to be completed by early next year.

Pursuant to the terms of the merger agreement, the consideration will consist of approximately $407.2 million in cash and 2.69 million Markel common shares. Terra Nova shareholders will have the ability to elect to receive cash, stock or a combination of cash and stock, subject to certain maximum levels (45% cash and 55% stock) for each form of consideration. Subject to these limits, Terra Nova shareholders may elect to receive $34.00 in cash or 0.184 Markel common shares for each Terra Nova share. The acquisition will be accounted for as a purchase transaction.

The Company has entered into a commitment letter for a five year $500 million revolving credit facility which will replace its existing $250 million revolving credit facility subject to and upon closing of the Terra Nova acquisition. The Company will use the new facility to fund a portion of the Terra Nova acquisition, refinance balances under the existing revolving credit facility and for other general corporate purposes.

Shareholders' equity at September 30, 1999 was $386.0 million compared to $425.3 million at December 31, 1998. Book value per share was $68.96 at September 30, 1999 compared to $77.02 at December 31, 1998. The decrease in the nine month period of 1999 was the result of the net decrease in unrealized gains of $74.8 million, partially offset by net income of $35.4 million.

Other Matters

Year 2000

The Year 2000 issue affects virtually all companies and organizations. Many companies have existing computer applications which use only two digits to identify a year in the date field. These applications were designed and developed without considering the impact of the century change. If not corrected these computer applications may fail or create erroneous results in the year 2000.

The Company's Year 2000 Strategy

The Company has created a Year 2000 team involving associates from all areas of the organization and has charged them with implementing the Company's Year 2000 project. The team has been in place since September of 1997. The project's scope includes all information technology (IT), both internally developed and purchased from third parties, material vendors, producer and customer relationships, and an assessment of the Company's underwriting exposure as a result of the insurance products written by the Company's underwriting units. In addition, the Company is evaluating the Year 2000 exposure to issuers included as part of its investment portfolio.

The Company has completed all phases of its Year 2000 compliance project for its material and ancillary IT systems. At this time the Company believes that all material and ancillary systems are capable of correctly processing transactions with dates both before and after January 1, 2000.

The Company has completed a review of material business partners to determine their state of readiness with regard to the Year 2000 issue and the potential impact on the Company. The Company has identified the following general categories of business partners as material to the Company's ability to conduct its operations: software, hardware and telecommunication providers, banks and investment brokers, material holdings in the Company's investment portfolio, insurance producers, reinsurers and reinsurance intermediaries, major insurance clients and utilities. Where the Company has determined that the relationship with a business partner is material to its ability to conduct normal operations, the Company has requested and in most cases received an update on the status of the business partner's Year 2000 initiative. Where deemed necessary, the Company is following up with the business partner to obtain further information. Based on the assurances of these business partners and the Company's internal reviews of information provided, the Company has not currently identified a material business partner that will be non-compliant. However, there can be no assurances that all material business partners will be compliant, and such noncompliance could have a material effect on the Company's financial position and results of operations.

The Company has conducted a comprehensive review of its underwriting guidelines and has made the decision to exclude Year 2000 exposures from most insurance policies. The Company began adding exclusions to policies in early 1998. Additionally it is the Company's position that Year 2000 exposures are not fortuitous losses and thus are not covered under insurance policies even without specific exclusions. For these reasons, the Company believes that its exposure to Year 2000 claims will not be material. However, as was the case with environmental exposures, changing social and legal trends may create unintended coverage for exposures by reinterpreting insurance contracts and exclusions. It is impossible to predict what, if any, exposure insurance companies may ultimately have for Year 2000 claims whether coverage for the issue is specifically excluded or included.

The cost of the Company's Year 2000 project was originally estimated to be $1.0 million. Approximately $0.5 million of this amount was incurred as of December 31, 1998, and another $0.2 million was incurred during the nine month period ended September 30, 1999. The Company anticipates that less than $0.1 million in additional expenditures will be required. All costs of the Year 2000 project have been expensed as incurred.

As all of its material and ancillary IT systems were deemed Year 2000 compliant at September 30, 1999, the Company has not established a contingency plan for noncompliance of its IT systems. At this time, the Company is not aware of any material business partners that will not be Year 2000 compliant. If the Company becomes aware of non-compliant business partners, one option will be to evaluate using other vendors. In many instances the establishment of a contingency plan is not possible or is cost prohibitive. In these situations, noncompliance by the Company or its material business partners could have a material adverse impact on the Company's financial position and results of operations.

Subsequent to the Company's acquisition of Gryphon in January 1999, the Company began an assessment of Gryphon's material IT systems for Year 2000 compliance. The Company has converted Gryphon's continuing business to the Company's Year 2000 compliant systems. Runoff business will remain on the Gryphon systems. The Company has done extensive analysis of these systems and believe that they are Year 2000 compliant.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign exchange rates and commodity prices. The Company's consolidated balance sheets include assets and liabilities whose estimated fair values are subject to market risk. The primary market risks to the Company are equity price risk associated with investments in equity securities and interest rate risk associated with investments in fixed maturities. From time to time, equity prices and interest rates fluctuate causing an effect on the Company's investment portfolio. The Company has no direct commodity risk, and its exposure to foreign exchange risk is immaterial.

The Company's market risk exposures at September 30, 1999 have not materially changed from those identified at December 31, 1998.

"Safe Harbor" Statement

This is a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Certain statements contained herein are forward-looking statements that involve risks and uncertainties. Future actual results may materially differ from those in these statements because of many factors. For example, the Company continues to significantly reorganize Gryphon's operations, and the scope and impact of these changes cannot be fully determined at this time. The completion of the Terra Nova transaction is subject to the absence of material adverse changes in the buyer's or seller's financial condition and receipt of all necessary regulatory and shareholder approvals. Insurance industry price competition has made it more difficult to attract and retain adequately priced business. Changing legal and social trends can adversely impact the adequacy of loss reserves. State regulatory actions can impede the Company's ability to charge adequate rates and efficiently allocate capital. The frequency and severity of natural catastrophes are highly variable. Economic conditions and interest rate volatility can have significant impacts on the market value of fixed maturity and equity investments. The business community's state of readiness for the Year 2000, the readiness of the Company's vendors and business partners and the Company's potential underwriting exposure to Year 2000 claims are difficult to predict with any certainty. Accordingly, the Company's premium growth, underwriting and investing results have been and will continue to be potentially materially affected by these factors.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

The Exhibits to this Report are listed in the Exhibit Index.

(b)(1) On August 20, 1999, the Company filed a report on Form 8-K, reporting under Item 5 the Agreement and Plan of Merger and Scheme of Arrangement providing for the merger of the two companies.

(b)(2) On September 22, 1999, the Company filed a report on Form 8-K reporting under Item 2 and Item 7 the acquisition of Gryphon Holdings, Inc. and subsidiaries.

The following financial statements of Gryphon Holdings, Inc. were filed as part of the Form 8-K:

Independent Auditors' Report
Consolidated Balance Sheet as of December 31, 1998
Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 1998
Consolidated Statements of Shareholders' Equity for the year ended December 31, 1998
Consolidated Statements of Cash Flows for the year ended December 31, 1998
Notes to Consolidated Financial Statements

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 28th day of October, 1999.

Markel Corporation

By Alan I. Kirshner

Alan I. Kirshner
Chief Executive Officer
(Principal Executive Officer)

By Anthony F. Markel

Anthony F. Markel
President
(Principal Operating Officer)

By Steven A. Markel

Steven A. Markel
Vice Chairman

By Darrell D. Martin

Darrell D. Martin
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit Index

Number	Description
2	Agreement and Plan of Merger and Scheme of Arrangement dated as of August 15, 1999 incorporated by reference as Exhibit 99.1 in the Company's Current Report on Form 8-K dated August 20, 1999. *
27	Financial Data Schedule for period ended September 30, 1999 *

* Filed electronically with the Commission