

# Markel Acquisition of Alterra

A new leader in global specialty insurance and investments



December 19, 2012



## Information concerning forward-looking statements:

This document includes statements about future economic performance, finances, expectations, plans and prospects of Alterra and Markel, both individually and on a combined basis, that are forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are risks and uncertainties that could cause actual results to differ materially from those expressed in or suggested by such statements. For further information regarding factors affecting future results of Alterra and Markel, please refer to their Annual Report on Form 10-K for the year ended December 31, 2011 and Quarterly Reports on Form 10-Q and other documents filed by Alterra and Markel since March 1, 2012 with the Securities Exchange Commission ("SEC"). These documents are also available free of charge, in the case of Alterra, by directing a request to Alterra through Joe Roberts, Chief Financial Officer, or Susan Spivak Bernstein, Senior Vice President, Investor Relations, at 441-295-8800 and, in the case of Markel, by directing a request to Bruce Kay, Investor Relations, at 804-747-0136. Neither Alterra nor Markel undertakes any obligation to update or revise publicly any forward-looking statement whether as a result of new information, future developments or otherwise.

This document contains certain forward-looking statements within the meaning of the U.S. federal securities laws. Statements that are not historical facts, including statements about Alterra's and Markel's beliefs, plans or expectations, are forward-looking statements. These statements are based on Alterra's or Markel's current plans, estimates and expectations. Some forward-looking statements may be identified by use of terms such as "believe," "anticipate," "intend," "expect," "project," "plan," "may," "should," "could," "will," "estimate," "predict," "potential," "continue," and similar words, terms or statements of a future or forward-looking nature. In light of the inherent risks and uncertainties in all forward-looking statements, the inclusion of such statements in this document should not be considered as a representation by Alterra, Markel or any other person that Alterra's or Markel's objectives or plans, both individually and on a combined basis, will be achieved. A non-exclusive list of important factors that could cause actual results to differ materially from those in such forward-looking statements includes the following: (a) the occurrence of natural or man-made catastrophic events with a frequency or severity exceeding expectations; (b) the adequacy of loss reserves and the need to adjust such reserves as claims develop over time; (c) the failure of any of the loss limitation methods the parties employ; (d) any adverse change in financial ratings of either company or their subsidiaries; (e) the effect of competition on market trends and pricing; (f) cyclical trends, including with respect to demand and pricing in the insurance and reinsurance markets; (g) changes in general economic conditions, including changes in interest rates and/or equity values in the United States of America and elsewhere; and (h) other factors set forth in Alterra's and Markel's recent reports on Form 10-K, Form 10-Q and other documents filed with the SEC by Alterra and Markel.

\* \* \* \* \*

Risks and uncertainties relating to the proposed transaction include the risks that: (1) the parties will not obtain the requisite shareholder or regulatory approvals for the transaction; (2) the anticipated benefits of the transaction will not be realized or the parties may experience difficulties in successfully integrating the two companies; (3) the parties may not be able to retain key personnel; (4) the conditions to the closing of the proposed merger may not be satisfied or waived; (5) the outcome of any legal proceedings to the extent initiated against Alterra or Markel or its respective directors and officers following the announcement of the proposed merger is uncertain; (6) the acquisition may involve unexpected costs; and (7) the businesses may suffer as a result of uncertainty surrounding the acquisition. These risks, as well as other risks of the combined company and its subsidiaries may be different from what the companies expect, or have previously experienced, and each party's management may respond differently to any of the aforementioned factors. These risks, as well as other risks associated with the merger, will be more fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 to be filed by Alterra and Markel with the SEC. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made.

# Key Transaction Terms



<b>Transaction</b>	<ul style="list-style-type: none"><li>▪ Merger under Bermuda law. A subsidiary of Markel will merge into Alterra, with Alterra surviving as a wholly-owned subsidiary of Markel</li><li>▪ Taxable transaction to Alterra shareholders</li></ul>
<b>Consideration</b>	<ul style="list-style-type: none"><li>▪ Implied offer price of ~\$31 per Alterra share <sup>(1)</sup></li><li>▪ \$10 in cash per Alterra share</li><li>▪ Fixed exchange ratio of 0.04315 shares of Markel stock per Alterra share (~\$21 per Alterra share) <sup>(1)</sup></li></ul>
<b>Deal value</b>	<ul style="list-style-type: none"><li>▪ Approximately \$3.13 billion (1.07x aggregate book value as of 9/30/12) <sup>(1)</sup></li><li>▪ \$1.0 billion of existing cash sourced equally from Markel and Alterra</li><li>▪ \$2.13 billion in Markel stock <sup>(1)</sup></li></ul>
<b>Pro forma ownership</b>	<ul style="list-style-type: none"><li>▪ 69% by Markel shareholders</li><li>▪ 31% by Alterra shareholders</li></ul>
<b>Management</b>	<ul style="list-style-type: none"><li>▪ Markel executive and senior management to continue in current roles</li><li>▪ Key Alterra senior leaders and underwriters will be retained</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>▪ Two additional directors to be added to Markel board</li></ul>
<b>Approvals</b>	<ul style="list-style-type: none"><li>▪ Shareholder approvals by both Markel and Alterra</li><li>▪ Customary regulatory approvals</li></ul>
<b>Investor Support</b>	<ul style="list-style-type: none"><li>▪ Voting agreements and lock-up agreements from Alterra Board of Directors, management and key shareholders</li><li>▪ Voting agreements and lock-up agreements from Markel Board of Directors and management</li></ul>
<b>Expected closing</b>	<ul style="list-style-type: none"><li>▪ First half of 2013</li></ul>

# Creating a Winning Combination



## Combination of Markel and Alterra...

<b>Strategic</b>	<ul style="list-style-type: none"><li>▪ Increases diversification and creates a global franchise with attractive product depth and reach</li><li>▪ A common culture of underwriting discipline</li><li>▪ Creates additional size and scale, providing additional insurance and investment opportunities and enabling expense ratio improvements</li><li>▪ Businesses fit well together – complementary business profiles diversify the premium base → makes each business better</li></ul>
<b>Financial</b>	<ul style="list-style-type: none"><li>▪ Attractive financial outcome with significant book value accretion</li><li>▪ Increases investments and gross written premiums per share by double digit percentages</li><li>▪ Larger investment portfolio under Markel's proven management</li></ul>
<b>Operational</b>	<ul style="list-style-type: none"><li>▪ Gains a footprint and expertise in the global reinsurance market and Fortune 3000 / large account markets</li><li>▪ Increases leadership position in E&amp;S market</li><li>▪ Brings together two well established Lloyd's platforms with complementary underwriting profiles</li></ul>

## ...Creating a strong and durable organization

- Leading franchise in global specialty insurance and investments
- Disciplined underwriting combined with successful investing
- Diversified portfolio of business – product line, geography and distribution
- Experienced management team
- Positioned for long-term growth in per share value

# Markel – Company Profile



## Company overview

- Markel Corporation is a diverse financial holding company serving a variety of niche markets
- In each of its businesses, Markel seeks to provide quality products and excellent customer service with the objective of being the market leader
- Markel's financial goals are to earn consistent underwriting and operating profits and superior investment returns to build shareholder value

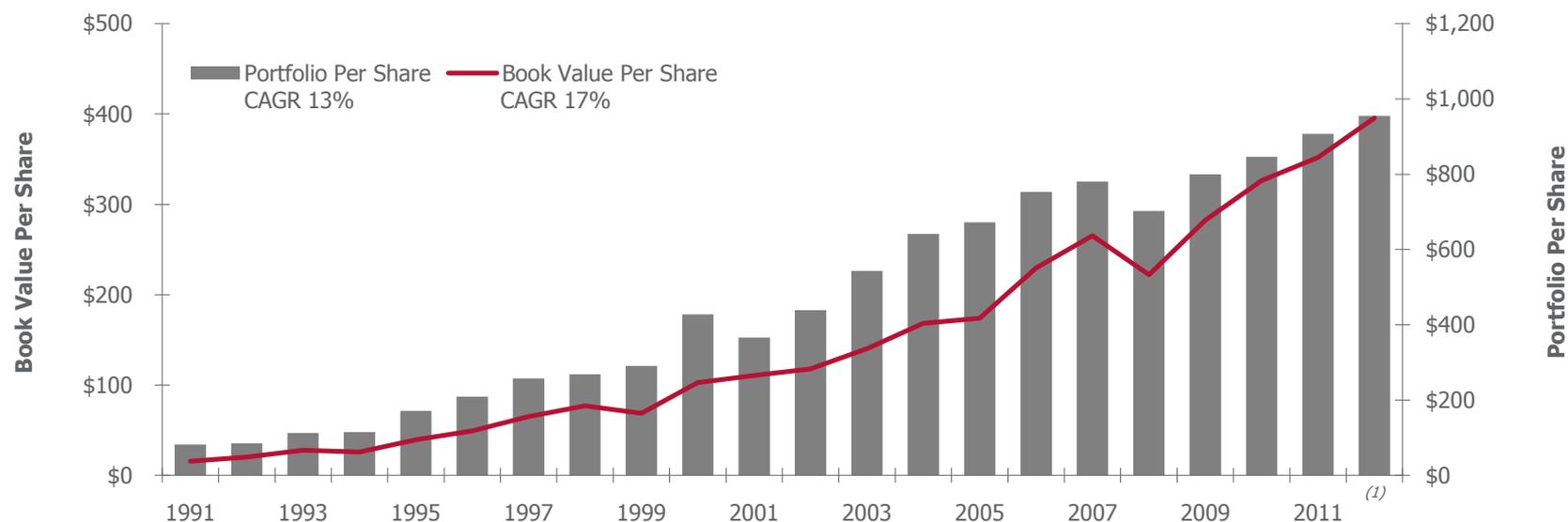
## Key highlights

- 1 Diverse product mix for niche markets – over 100 unique product lines
- 2 Underwriting discipline
- 3 Investment flexibility made possible by underwriting profits
  - Long-term philosophy for greater returns through equity investments
  - Extension of investment operations into Markel Ventures – “permanent capital” advantage
- 4 Superior growth over a long period of time
  - 17% CAGR in book value per share from 1991-2011
- 5 Significant ownership by management aligns economic interest with shareholders
- 6 Successful track record of targeting, purchasing and integrating acquisitions

# Markel – Long History of Producing Results



By applying its long-term focus to underwriting and investing activities, Markel achieved consistent, sustainable value creation for its shareholders



(\$ in millions, except per share)	1991	1996	2001	2006	2011	20-Year CAGR
Total Revenue	223	367	1,397	2,576	2,630	13%
Gross Written Premium	406	414	1,774	2,536	2,291	9%
Investment Portfolio	436	1,142	3,591	7,524	8,728	16%
Portfolio Per Share	\$81.77	\$209.20	\$365.70	\$752.80	\$907.20	13%
Shareholders' Equity	83	268	1,085	2,296	3,388	20%
Book Value Per Share	\$15.59	\$49.16	\$110.50	\$229.78	\$352.10	17%

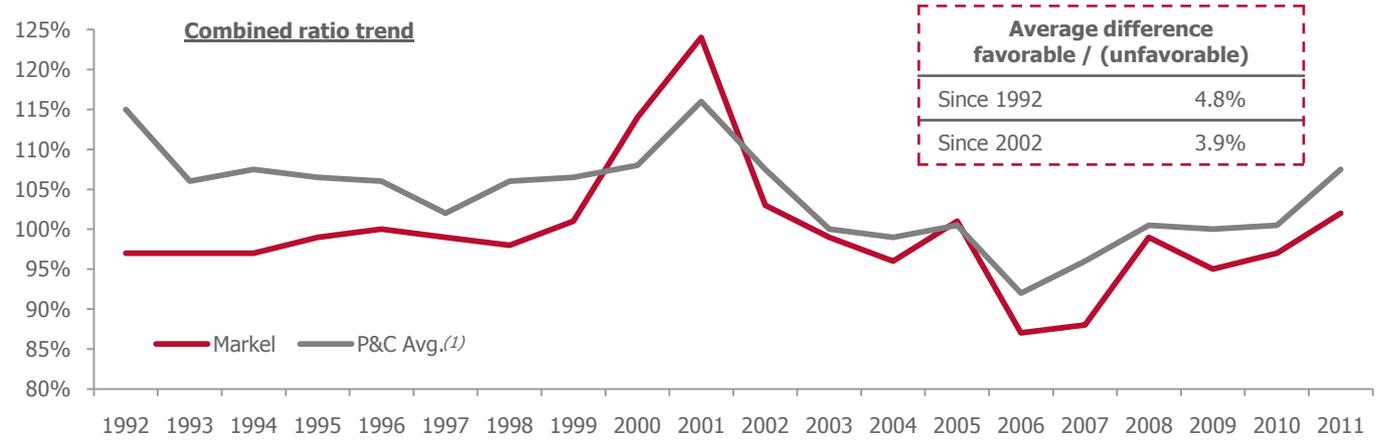
(1) 2012 data reflects year-to-date results as of 9/30/12.

# Markel – Strong Underwriting and Investment Performance



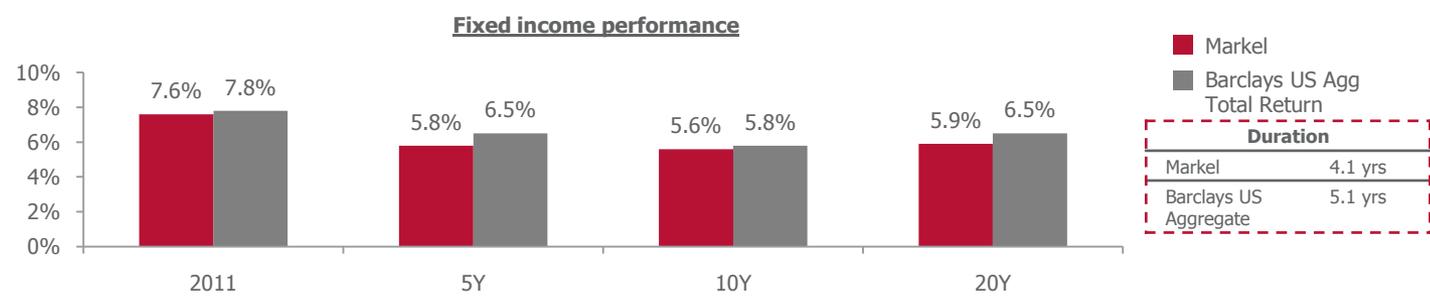
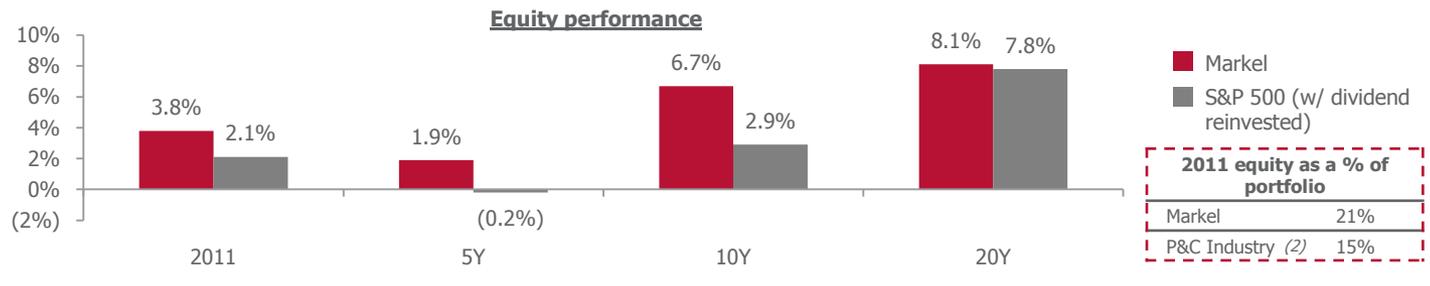
**Underwriting performance**

Consistently outperforms the P&C industry combined ratio



**Investment performance**

Adds value through equity investments



(1) Source: A.M. Best.  
 (2) Source: SNL Financial.

# Alterra – Company Profile



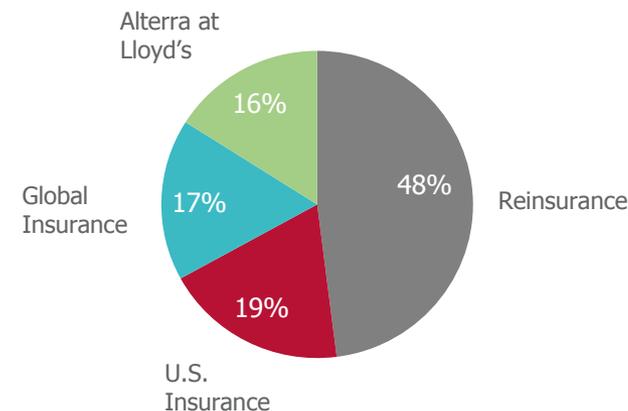
## Key highlights

- 1 Global underwriter of specialty insurance and reinsurance
  - Multiple operating platforms - Bermuda, Ireland, Europe, United States, Lloyd's and Latin America
  - Strong franchise positions across multiple specialty classes of business
- 2 Opportunistic and disciplined underwriting strategy
  - 5-year average combined ratio (including cats) of 91.9%
  - Strong culture of risk management
  - Analytical and quantitative underwriting orientation
  - Business mix shift towards shorter-tail lines
- 3 Liquid balance sheet with conservative reserving track record
  - Shareholders' equity ~\$2.9 billion at 9/30/12
  - Low financial leverage
- 4 S&P rating and AM Best ratings of "A"
- 5 Conducts operations through following segments
  - *Global Insurance* – Offers P&C excess of loss primarily to U.S. and international Fortune 1000 companies
  - *U.S. Insurance* – Offers P&C insurance primarily to Fortune 3000 companies
  - *Reinsurance* – Offers P&C quota share and excess of loss reinsurance to insurance and reinsurance companies globally
  - *Alterra at Lloyd's* – Offers P&C quota share and excess of loss insurance and reinsurance to med-to-large international clients

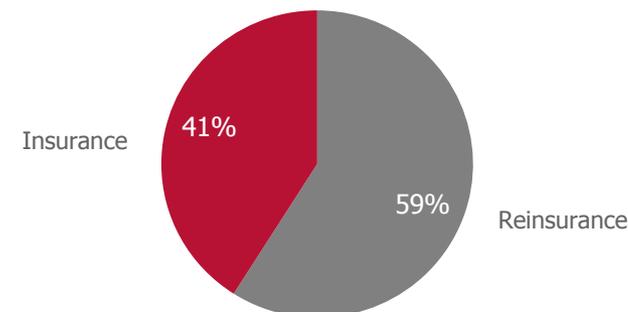
## Premium summary

Q3 YTD 2012 GPW: ~\$1.6bn

### By Segment



### By Product



# A Strong Platform for Growth



- Combination expands Markel's insurance platform from three to five key segments
- Enhances Markel's E&S, Specialty and London Insurance Market segments

2012E Gross Premiums Written (\$ in millions)	 MARKEL®	 Alterra	 MARKEL® Pro Forma
Excess & Surplus	\$935	\$230	\$1,165 
Specialty Admitted	655	155	810 
London Insurance Market	890	305	1,195 
Global Insurance	0	375	375 
Global Reinsurance	0	870	870 
<b>Total</b>	<b>~\$2.5bn</b>	<b>~\$1.9bn</b>	<b>~\$4.4bn</b> 

 Markel  
 Alterra

# Well Positioned Operating Profile



Scale and diversification will create the opportunity to improve the already strong operating performance

Year-to-date 9/30/12 (\$ in millions, except per share)	 MARKEL®	 <b>Alterra</b>	 MARKEL® Pro Forma <sup>(3)</sup>
Gross premiums written	\$1,906	\$1,614	\$3,520
Net premiums written	1,687	1,077	2,764
Combined ratio <sup>(1)</sup>	96%	93%	95%
Comprehensive investment income (pre-tax)	\$535	\$270	\$805
Comprehensive income to shareholders	427	294	721
Book value per share <sup>(2)</sup>	\$395	\$30	\$424

Source: Company filings.

(1) Combined ratio for Alterra and Pro Forma Markel excludes unallocated Alterra corporate G&A expense of ~\$44mm.

(2) Per share calculations based upon shares outstanding excluding any dilutive impact of options. Based on Markel closing stock price of \$486.05 as of December 18, 2012.

(3) Excludes purchase accounting adjustments.

# Strong Capitalization Ratios



As of 9/30/12 (\$ in millions)	 MARKEL®	 Alterra	 MARKEL® Pro Forma <sup>(1)</sup>
Total debt	\$1,511	\$441	\$1,951
Total shareholders' equity	3,806	2,923	5,952 <sup>(2)</sup>
Total capitalization	5,317	3,364	7,903
Total debt / total capitalization	28%	13%	25%
LTM net premiums written / equity	0.57x	0.44x	0.58x

Source: Company filings.

(1) Excludes purchase accounting adjustments. Based on Markel closing stock price of \$486.05 as of December 18, 2012.

(2) Markel Pro Forma equity equals Markel equity as of 9/30/12 plus the value of new shares issued in the transaction.

# Diversified Premium Mix



Fiscal year 2011  
(\$ in millions)



Pro Forma

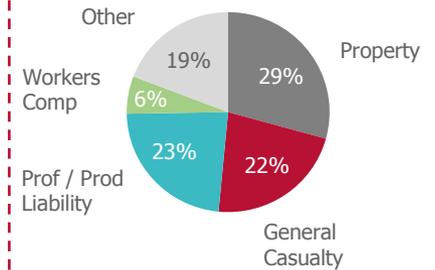
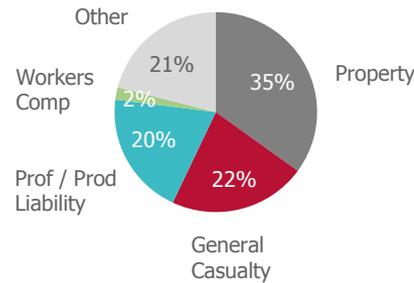
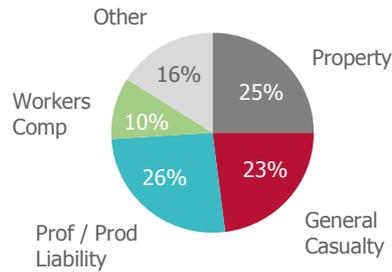
Gross premiums written

\$2.3bn

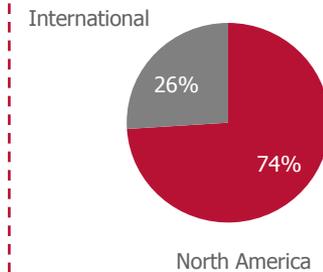
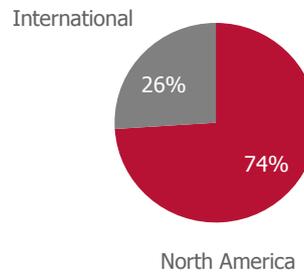
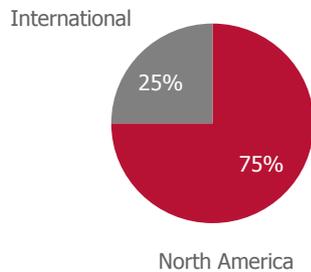
\$1.9bn

\$4.2bn

Line of business



Geography



# Underwriting with Global Reach



A combined underwriting platform with the breadth and scope necessary to compete globally



**Employees: 2,666**  
**GWP / Headcount: \$0.9M**  
**# of Offices: 37 <sup>(1)</sup>**



**Employees: 490**  
**GWP / Headcount: \$3.9M**  
**# of Offices: 31**

Headquarters		Markel	
Glen Allen, VA		<ul style="list-style-type: none"> <li>■ Largest Offices:                             <ul style="list-style-type: none"> <li>■ Glen Allen – 851</li> <li>■ London – 372</li> <li>■ Omaha – 250</li> </ul> </li> </ul>	
U.S. Offices		International Offices	
Alameda, CA	Ontario, CA	Barcelona, Spain	Montreal, QC
Blair, NE	Plano, TX	Birmingham, U.K.	Munich, Germany
Chicago, IL	Red Bank, NJ	Bristol, U.K.	Reigate, U.K.
Deerfield, IL	Richmond, VA	Cambridge, U.K.	Rotterdam, Netherlands
Glen Allen, VA	Scottsdale, AZ	Hong Kong	Singapore, Singapore
Henderson, NV	Stilwell, KS	Leeds, U.K.	Stockholm, Sweden
Kennesaw, GA	Tampa, FL	London, U.K.	Toronto, ON
Lexington, KY	Warwick, RI	Madrid, Spain	Vancouver, BC
New York, NY	Waukesha, WI		
Omaha, NE	Woodland Hills, CA		

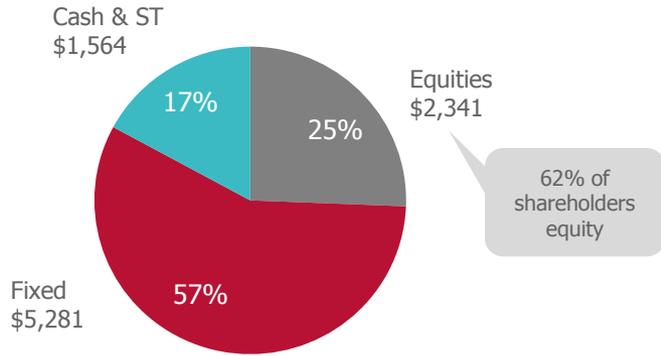
Headquarters		Alterra	
Hamilton, Bermuda		<ul style="list-style-type: none"> <li>■ Largest Offices:                             <ul style="list-style-type: none"> <li>■ Bermuda – 102</li> <li>■ London – 87</li> <li>■ Richmond – 78</li> </ul> </li> </ul>	
U.S. Offices		South American Offices	
New York, NY (3)	Alpharetta, GA	Rio de Janeiro, Brazil (2)	Bogota, Colombia
Richmond, VA (5)	Summit, NJ	Buenos Aires, Argentina	
Windsor, CT	Dallas, TX	International Offices	
Sebastopol, CA	San Francisco, CA (2)	London, U.K. (4)	Kusnacht, Switzerland
Chicago, IL		Zurich, Switzerland	Dublin, Ireland (3)
		Hamburg, Germany	Tokyo, Japan

(1) Excludes Markel Ventures offices.

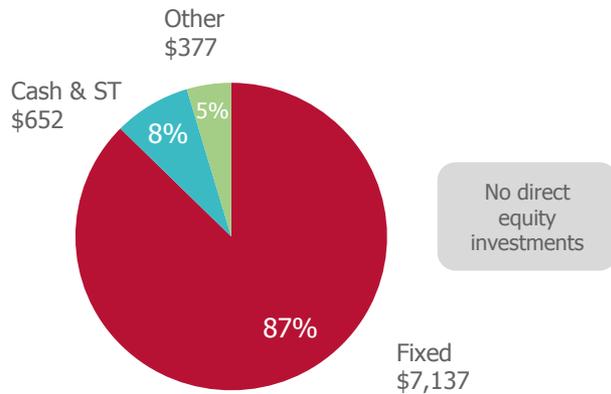
# High Quality Investment Portfolio



As of 9/30/12



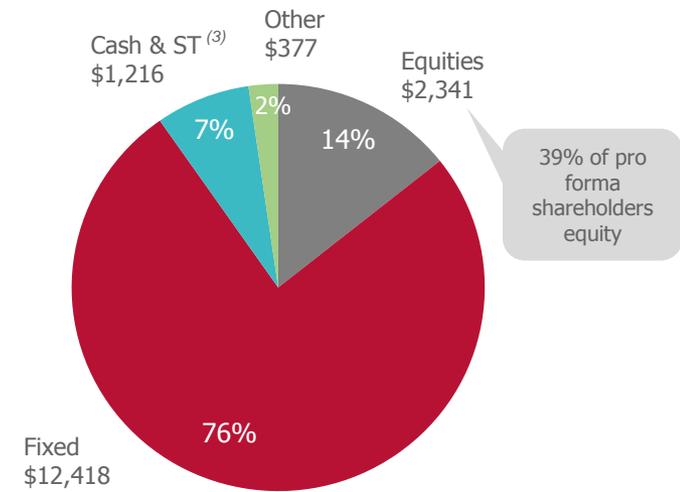
**Total Portfolio of \$9.2bn**  
**Investments per Markel share: \$954<sup>(1)</sup>**



**Total Portfolio of \$8.2bn**  
**Investments per Alterra share: \$85<sup>(1)</sup>**



Pro Forma 9/30/12



**Total Portfolio of \$16.4bn**  
**Investments per Markel share: \$1,165<sup>(1,2)</sup>**

(1) Per share calculations based upon shares outstanding excluding any dilutive impact of options. Based on Markel closing stock price of \$486.05 as of December 18, 2012.

(2) Excludes purchase accounting adjustments.

(3) Excludes \$1.0bn of cash used in transaction.

# A Winning Combination

- **Leading franchise in global specialty insurance and investments**
- **Disciplined underwriting combined with successful investing**
- **Cultural fit dedicated to underwriting excellence**
- **Successful track record of managing investments on total return basis**
- **Diversified portfolio of business – product line, geography and distribution**
- **Enhanced market position**
- **Experienced management team**
- **Long-term growth in per share value**



## **Additional information about the proposed merger and where to find it:**

This document relates to a proposed transaction between Markel and Alterra that will become the subject of a registration statement, which will include a joint proxy statement/prospectus, to be filed by Markel with the SEC. This document is not a substitute for the joint proxy statement/prospectus that Markel will file with the SEC or any other document that Markel or Alterra may file with the SEC or Markel or Alterra may send to its shareholders in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ALL OTHER RELEVANT DOCUMENTS THAT MAY BE FILED WITH THE SEC OR SENT TO SHAREHOLDERS, INCLUDING THE DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS THAT WILL BE PART OF THE REGISTRATION STATEMENT ON FORM S-4, AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. All documents, when filed, will be available free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)) or by directing a request to Markel through Bruce Kay, Investor Relations, at 804-747-0136 and, in the case of Alterra, by directing a request to Alterra through Joe Roberts, Chief Financial Officer, or Susan Spivak Bernstein, Senior Vice President, Investor Relations, at 441-295-8800.

## **Participants in the solicitation:**

Alterra and Markel and their respective directors and executive officers may be deemed to be participants in any solicitation of proxies from both Alterra's and Markel's shareholders in favor of the proposed transaction. Information about Alterra's directors and executive officers and their ownership in Alterra common stock is available in the proxy statement dated March 26, 2012 for Alterra's 2012 annual general meeting of shareholders. Information about Markel's directors and executive officers and their ownership of Markel common stock is available in the proxy statement dated March 16, 2012 for Markel's 2012 annual general meeting of shareholders.