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CORPORATE SPEAKERS:

Thomas Gayner

Markel Group; Chief Executive Officer, Director

Brian Costanzo

Markel Group; Chief Financial Officer, Chief Financial Officer of Markel Insurance Operations

Simon Wilson

Markel Insurance, Executive Vice President, Chief Executive Officer

Andrew Crowley President, Markel Ventures

Markel Ventures, President

PARTICIPANTS:

Tracy Benguigui

Wolfe Research; Analyst

Andrew Andersen

Jefferies; Analyst

Maxwell Fritscher

Truist; Analyst

Andrew Kligerman

TD Cowen; Analyst

Drew Estes

Banyan Capital Management; Analyst

Mark Hughes

Truist; Analyst

PRESENTATION:

Operator^ Good morning and welcome to the Markel Group Second Quarter 2026 Conference Call. (Operator Instructions)

During the call today we may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. They are based on current assumptions and opinions concerning a variety of known and unknown risks. Actual results may differ materially from those contained in or suggested by such forward-looking statements. Additional information about factors that could cause actual results to differ materially from those projected in the forward-looking statements is included in the press release for our second quarter 2026 results, as

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well as our most recent annual report on Form 10-K and quarterly report on Form 10-Q, including under the captions safe harbor and cautionary statements and risk factors.

We may also discuss certain non-GAAP financial measures during the call today. You may find the most directly comparable GAAP measures and a reconciliation to GAAP for these measures in the press release for our second quarter 2026 results or in our most recent Form 10-Q. The press release for our second quarter 2026 results as well as our Form 10-K and Form 10-Q can be found on our website at www.mklgroup.com in the Investor Relations section.

Please note this event is being recorded.

I would now like to turn the conference over to Tom Gayner, Chief Executive Officer. Please go ahead.

Thomas Gayner^ Thank you, Matt. And good morning. Welcome to our second quarter conference call. We welcome this opportunity to update you on our current and long-term performance and to answer your questions. As we've long stated, at Markel we operate with the dual time horizon of forever and right now. I believe that the movie Field of Dreams got it right. The central premise of the film stated if you build it, they will come. We think that is true and we continue to work on building the system designed to relentlessly compound your capital. We are building the value of Markel and doing so in a way that rewards you, our shareholders, along with our customers and associates. That's the forever scorecard.

The right now performance indicates how the journey continues to progress step by step. [Against] the right now, we look at adjusted operating income, which doesn't include many adjustments and simply GAAP operating income, excluding the short-term swings in public equity markets and amortization expenses.

Equities often swing wildly quarter-to-quarter. Any short-term metric that includes those swings is noisy and doesn't do a very good job of describing our progress. Over 5-year periods, public equity volatility tends to normalize. So over this timeframe, we focus on operating income which includes our equity returns. The adjusted operating income of our business plus growth in our public equity

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portfolio drives intrinsic value. Over time we believe our stock price should track that intrinsic value.

But first, the right now, in the second quarter of this year, our reorganized and refocused insurance business continued to improve profitability, either by strong underwriting and favorable reserve development. In our ongoing insurance business, excluding global (inaudible) Hagerty, grew the top line at 10% and voted a combined ratio in the low 90s. We are also seeing early signs of our expense discipline starting to show up in the numbers.

Our consumer businesses also performed well. Our industrial businesses continue to be solidly profitable and cash generative despite the continued softer end market conditions they faced in the first half of 2026. And I'm encouraged that some tailwinds are beginning to emerge now.

Finally, in our financial business, we acknowledged last quarter that within our state national business we experienced a collateral shortfall relative to our total exposure to a particular capacity provider currently in bankruptcy. This quarter, after extensive actuarial work including the engagement of an outside third party, we recognized a reserve of \$205 million.

I believe this event was driven more by a unique and unfortunate confluence of events including the nature of the business written, the jurisdictions involved, and the pace at which losses develop. This particular business involved began in 2012, and we ceased rating on these programs in 2021. This marks the first substantial credit loss at State Nationals over a 40-year history. Per our practice, we've made what we believe is a conservative estimate of our ultimate liability consistent with our overall reserving philosophy. As is always the case at Markel, we do our best to recognize and report bad news quickly and let good news develop over time. Today's action is in keeping with that philosophy.

Turning to the forever. We focus on a 5-year time horizon to measure and compensate the senior management team. We think that 5-year timeframe matches up with a meaningful measurement of economic progress better than quarterly or annual metrics. For the last 5 years ending in June 2026, average annual operating income was \$2.5 billion compared to \$1.2 billion in the previous 5-year period for a compound annual growth rate of 15%.

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We've been repurchasing our stock at an increasing rate and have reduced the total outstanding shares from 13.7 million to 12.4 million, a reduction of just under 10% over the last 5 years. On a per share basis, average operating income per share was \$188.94 for the last 5 years ending June 2026 compared to \$88.99 for the previous 5-year period, for a compound annual growth rate of 16%. The average shareholders' equity we used to produce these results grew by only 9% over the same period. That significant earnings growth delivered in a capital-efficient way on fewer shares.

Our diversification is an important feature and benefit of the Markel Group system which provides resilience and durability to our earnings and returns. When things go bump in the night, and they do, we can absorb it. When opportunities aligned with our values arise, we can pursue them. Our businesses continue to generate cash which fuels the ongoing capital allocation activities. Over the last few years, the single largest use of capital has been the repurchasing of our own shares. During the second quarter, we repurchased 237 million of our shares or roughly 1% of all shares outstanding, up from 134 million in the first quarter. We have now repurchased more than \$2 billion since the beginning of 2022.

We continue to believe that at current prices and relative to the current set of alternatives, Markel shares represent the highest and best use of capital and we're acting accordingly. I would also point out that we funded these repurchases through earnings. We are not leveraging up our borrowing money to repurchase shares. We continue to operate with a solid balance sheet which positions us well to consider acquisition opportunities, make attractive investments, and repurchase shares through thick and thin. As these repurchases continue to take place at a discount to our estimate of intrinsic value, that should continue to increase the value of each share of Markel.

Brian will now share some financial highlights and details from the first half of 2026, and then Simon will provide an update about our insurance operations. We will then open the floor for any questions you may have. Andrew Crowley is also here to join us for that. Thank you again for your ongoing interest and support of Markel.

Brian?

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Brian Costanzo^ Thank you, Tom. And good morning, everyone. First, Markel Group's consolidated results for the second quarter of 2026. Operating revenues which exclude net investment gains were \$4 billion for the quarter and \$7.6 billion for the first six months. Both periods were flat to comparable periods a year ago. Operating income, which includes net investment gains, was \$1.6 billion for the quarter versus \$1.1 billion in the second quarter of 2025. For the first six months of 2026, operating income was \$1.3 billion versus \$1.4 billion a year ago. Adjusted operating income, which excludes net investment gains and amortization expenses, totaled \$436 million for the quarter versus \$578 million in the second quarter of 2025. For the first six months of 2026, adjusted operating income was \$934 million versus \$1.1 billion a year ago.

The prior two quarters served as a good illustration of why we use longer-term views of operating income performance as net investment gains were \$1.2 billion for the quarter, more than reversing the investment losses from the first quarter. For the first six months of 2026, net investment gains totaled \$440 million versus \$431 million a year ago.

Net income to common shareholders was \$1.2 billion or \$93 per diluted share for the quarter versus \$631 million or \$50 per diluted share a year ago. For the first six months of 2026, net income to common shareholders was \$957 million or \$74 per diluted share versus \$753 million or \$62 per diluted share a year ago.

Moving now to our Markel Insurance business. Underwriting gross written premiums were \$2.4 billion for the quarter versus \$2.8 billion in the second quarter of 2025. For the first six months of 2026, underwriting gross written premiums were \$4.6 billion versus \$5.6 billion a year ago. In both periods, growth was 10% when excluding the impact of exiting our Global Reinsurance division and the transition of our Hagerty program to a fronting model.

Net earned premiums were down 3% for both the quarter and the first six months of this year. The combined ratio was 93% for the quarter compared to 97% in the second quarter of 2025. The improvement was driven by more favorable prior year reserve development and a slightly lower expense ratio, partially offset by \$41 million or 2 points of current year catastrophe losses related to the Middle East conflict. For the first six months of 2026, the combined ratio was 93% versus 96% a

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year ago and included \$76 million or two points of Middle East conflict losses while the prior year period included \$61 million or 1.5 points of losses from the California wildfires.

Adjusted operating income was \$376 million for the quarter, versus \$270 million in the second quarter of 2025. For the first six months of 2026, adjusted operating income was \$746 million versus \$552 million a year ago. In both periods, the increases were driven by improved underwriting profits and higher net investment income. Total operating income, which includes net investment gains within our insurance operations, for the first half of this year was \$1.2 billion, putting us on pace to achieve double-digit return on equity for the full year.

Looking now at the ongoing divisions within our insurance operations. Within our International division, gross written premiums were \$890 million, up 31% versus the second quarter of 2025, with growth across the division, led by marine and energy, general liabilities, and professional liability lines. The combined ratio was 82% compared to 78% a year ago, with the current quarter including 6 points of losses from the Middle East conflict.

For our U.S. Wholesale and Specialty division, gross written premiums were \$799 million, down 4% versus the second quarter of 2025, driven by intentional contraction in binding contractors and casualty lines in a softening property rate environment, partially offset by growth in professional liability lines. The combined ratio improved to 97% from 102% a year ago, reflecting lower loss and expense ratios from our continued underwriting actions.

Within our Programs and Solutions division, underwriting gross written premiums were \$717 million, down 27% from the second quarter of 2025. This reduction was driven by the shift of our Hagerty program to a pure fronting model. Excluding that impact, gross written premiums grew by 6%, led by our delegated programs and Personal Lines businesses. The combined ratio was 94%, up from 91% a year ago, with the increase reflecting a higher current accident year loss ratio in our personal umbrella line and within certain delegated programs.

Turning now to our consolidated investment portfolio. Net investment income totaled \$256 million for the quarter, up 11% from the second quarter of 2025, reflecting a higher average book yield and an increase in the average balances

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within our fixed maturity portfolio. For the first six months of 2026, net investment income was \$512 million, up 10% from a year ago. The fair value of our public equity holdings increased to \$13.5 billion at quarter end, up from \$12.3 billion at the end of the first quarter, which represents a 10% increase. For the first six months, the portfolio increased by 4%. Our cumulative pretax unrealized gain on our equity holdings at the end of the period was \$9.3 billion.

Moving now to our Industrial segment. Revenue was \$1 billion for the quarter, a 2% increase versus the second quarter of 2025, driven by the contribution from a bolt-on acquisition in December of 2025. Organic revenue was flat as higher sales volume of our precast concrete products and fire safety services were offset by lower sales volume on our car hauling equipment due to a continued down cycle in demand for that industry. For the first six months of 2026, revenue was \$1.9 billion, up 4% from a year ago, with organic revenue growth of 2%. Adjusted operating income was \$75 million for the quarter, versus \$105 million in the second quarter of 2025, primarily reflecting tighter margins along with softer demand within our car hauling equipment business. For the first six months of 2026, adjusted operating income was \$125 million versus \$162 million in the prior year.

Moving to our Financial segment. Revenue was \$171 million for the quarter versus \$173 million in the second quarter of 2025. For the first six months of 2026, revenue was \$333 million versus \$351 million a year ago, with the 6-month period last year including nonrecurring gains of \$41 million from our investment in Velocity and the sale of its MGA operations. Financial segment recorded an adjusted operating loss of \$149 million for the quarter versus income of \$78 million a year ago. For the first six months of 2026, the segment recorded an adjusted operating loss of \$113 million versus income of \$158 million a year ago. Both periods were impacted by the \$205 million bad debt charge within our State National Programs unit in the second quarter of this year.

Moving now to the Consumer and Other segment. Revenue was \$552 million for the quarter, a 4% increase versus the second quarter of 2025, relating to organic revenue growth in ornamental plants during the seasonality strongest period of the year. For the first six months of 2026, revenue was \$832 million, up 2% from a year ago, with organic revenue essentially flat. Adjusted operating income was \$122 million versus \$102 million in the second quarter of 2025, primarily attributed to

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the increased sales volume. For the first six months of 2026, adjusted operating income was \$162 million versus \$134 million a year ago.

Finally, regarding capital allocation. As Tom has described many times before, we think about capital allocation as a 360-degree set of opportunities. The cash of our market-leading businesses generate -- the cash that our market-leading businesses generate can be reinvested in growth opportunities within our existing businesses used to acquire new wholly owned businesses invested in publicly traded equity securities are used to repurchase our own shares. We direct capital to wherever we see the best long-term return.

Some notes from this quarter. Within public equities, net purchases were nominal, totaling \$21 million. Acquisitions totaled \$24 million of small downstream deals within our existing companies. We also paid \$74 million to increase our ownership stake in our existing businesses. Regarding share repurchases, we repurchased 237 million in shares during the quarter and 371 million year-to-date, reducing our share count at the end of the second quarter to 12.4 million shares.

With that, I will turn the call over to Simon.

Simon Wilson^ Thank you, Brian. And good morning, everyone. This time last year, I reported on a quarter where our combined ratio stood in the high 90s. Today I'm pleased to report a 93% combined ratio for Markel Insurance for the fourth quarter in a row. Improving our performance and generating greater levels of consistency has been a central focus for the leadership team. The improvement has come on the back of some tough decisions where we've chosen the sanity of bottom line profit over the vanity of top line growth. Overall, our headline GWP is down for the quarter, but excluding the global reexit and the transition of the Hagerty book to a service fee basis, we grew 10%.

This growth is driven by the business units where we have seen the most success in recent years, especially from our International division. On the surface, reporting four quarters in a row of a low 90s combined ratio may appear a little boring. In that regard, long may boring continue. However under the surface, the level of change that has been implemented to set Markel back on the path of being a leading specialty insurer has been significant.

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Two simple principles sit at the core of everything we have done. First, be obsessed with our customers. Put our clients at the heart of all we do and make decisions as close to them as possible. Second, create a structure that allows our business leaders to think and act like owners. These two defining principles underpin every decision that has been made over the past 18 months.

The outcome of the work done so far is as follows: Markel Insurance now consists of three divisions below which at 14 business units, each with a clearly identified leader. Each business unit leader has committed to delivering a financial plan for 2026 and a strategic plan over the next 5 years. The reporting lines of thousands of people, along with all our financial reporting and management information, have been aligned to the new structure. Our results have improved and become more consistent, but even more importantly, our clients now describe our new setup as being simpler to access and quicker to make decisions.

The leaders of our business units relish the challenge of building great businesses that will endure over the long term. These are critical foundations, but we are now focused on the next year of progress. At the heart of that focus lies the execution of our financial and strategic plans and the investments that we are making in our operations and technology. AI provides Markel Insurance with tools that allow us to reimagine how work gets done. We have asked all of our businesses, how we can get better products in front of our customers much faster. This involves looking at every aspect of the business process end-to-end and having AI support and augment it.

So far, we see the deployment of AI show up at three levels. First, building a new strategic business unit from scratch. Back in March of this year, we partnered with Bain & Co and kicked off a project to reimagine how to underwrite and service hard-to-place U.S. casualty risks with a new business model, where this model would be built with market-leading AI tools to design and built by Markel and Bain experts. We're able to combine the team's underwriting knowledge gained over a decade and the data we have amassed during that time.

A new business unit named Cortex was launched within our Wholesale and Specialty division last week, just a few months after we started the process. We have moved quickly learned a lot and believe that we have created something of genuine value in an area of the market where Markel has a right to win.

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Second, we wire class of business using agenetic AI. Over the past 12 months, we have comprehensively required six classes of business across both our U.S. and international operations, totaling over 500 million of existing GWP. We have partnered with [Harvey] AI have to do this. and the impact of applying agenetic AI to sophisticated specialty underwriting is significant. For example, the reduction in time to have an initial risk assessment in front of an underwriter has fallen by between 50% and 90%, depending on the line of business, and accuracy levels are above 90% in all cases. This frees underwriters to focus on decision-making, negotiation, and getting quotes out of the door. The result is higher levels of better quality business with the WI portfolio in London growing by 50% in the year since we deployed [Harvey].

Third, introducing AI agents at the business process level. Our AI accelerator fund was launched in February of this year, with money made available to the best ideas stemming from the wider business. In total, we chose nine ideas, all of which were developed and put into production during the single month of April. The idea has ranged from a new rating engine in our [Equine] business that makes initial quotes available to our [Equine] customers in seconds. To an agent that vastly increases our ability to respond to the fast-moving marine ore market. To the wind site tool, which analyzes the vast amount of data made available by our brokers on upcoming renewals and prioritizes the opportunities so that we can concentrate on those who are most likely to win. The accelerator fund promotes ground-up ideas in our decentralized model.

We are increasingly confident in our deployment of AI and are committed to utilizing it to transform our business. However AI is only beneficial if it improves our service to customers while generating returns on capital over time. So it's the business unit leaders who determine how best to deploy the technology. Leadership plays its part by consistently challenging these leaders to think differently and by sharing great ideas from other parts of Markel.

Not all of our technology investment is being made in AI. There are some areas where building strong and durable core infrastructure is a critical step to ensuring we can make the most of AI further down the line. Examples of this work include deploying ClaimCenter across our U.S. operations earlier in 2026. The investment in Policy Center is our core system for the Parcel Lines business unit and the overhaul

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of our data environment in our international operations over the past 3 years. These investments in our core infrastructure provide a necessary foundation that enables future AI initiatives to enhance our overall offering and will ensure that we can scale Markel Insurance for years to come.

Overall, our underwriting results have improved and become more consistent. We are growing where we have earned the [right to win] and managing the cycle where rates and terms do not support long-term profitability.

I could dwell on market conditions and heightened global risk, but these factors are largely beyond our control. What remains within our control is how effectively we manage the insurance cycle and build an exceptional operation using powerful new tools that fundamentally improve the way we do business. Sadly, football may not be coming home this year, but maybe, just maybe, specialty insurance is. These are exciting times at Markel Insurance. And with that, I'll pass you back to Tom.

Thomas Gayner^ Thank you, Simon. Indeed, these are exciting times at Markel, and we look forward to answering your questions. [Matt], if you'd be so kind as to open the floor.

QUESTIONS:

Operator^ (Operator Instructions) Your first question comes from the line of Tracy Benguigui with Wolfe Research.

Tracy Benguigui^ When the third-party actuarial team that came in to assess the counterparty credit risk shortfall at the bankrupt reinsurer, it seems like that review is limited to just one counterparty at State National or did this third party also review the adequacy of collateral behind all of your unrated reinsurance partners for backing much larger liabilities? And if you could comment on the general health of your collateral backing reinsurance counterparties.

Thomas Gayner^ I appreciate the question. That specific engagement was for the specific contract where we thought we had some issues, and we wanted to nail that down to the best of our abilities. As you might imagine, we as managers do in our duty are looking at everything at the same time but the specific third party was engaged just for that topic.

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Tracy Benguigui^ Right. So can you comment about your view of the general health of collateral backing all of your reinsurance counterparties, particularly those that are not rated?

Thomas Gayner^ Yes, happy to do so. That is the core business of State National for a long time. The charts that we put up is in keeping with our philosophy of having a number up there that is more likely to be redundant the deficient, that's the long-standing reserving philosophy of Markel, and this [charting] reflect that. So that implies that we have looked at everything and we're putting out our best estimate for what we think things are.

This is the first loss of this nature in over 40 years of history. State National is operating in this business, and they have demonstrated the ability to handle those kinds of risks for multiple decades. We have every confidence that they're the best in class on doing so, and continue to believe that's the case.

Tracy Benguigui^ Okay. Looking at your reserve development, what gave you comfort to release workers' comp reserves for recent accident years? And on the topic of reserves, as we sit here today halfway through the year, is the conclusion of your actual versus expected analysis support your guide of favorable development up to 5% or \$800 million during 2026?

Thomas Gayner^ Yes. Let me ask Brian to comment on that.

Brian Costanzo^ Sure. Yes. Specifically on workers' comp. I mean that has behaved very well I think across the industry in general. But for us, in particular, from an A versus E standpoint, we've been holding a fair amount of margin there for a while. We're starting to release some of that as the A versus E continues to come in and trend favorably.

Kind of overall on the reserve side, what you're seeing us do is react to exactly those A versus E trends that we're seeing over multiple periods. So our releases are concentrated in kind of first-party lines in the U.S., that would be our property, our (inaudible) Marine and our Personal Lines E&S homeowners book, along with many lines in our international book that have performed very, very well and behaved very well from a reserving standpoint.

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On the casualty side, casualty and professional, that's a more -- a hold the line. Very modest kind of adverse development. It's kind of been trending as we would have expected on the whole and that's kind of how we've been reacting there. One other reminder on the casualty side, we do have a stop-loss reinsurance treaty in place for acts in years 2019 and forward that impacts kind of our analysis when we set the reserving basis.

Operator^ Your next question comes from the line of Andrew Anderson with Jefferies. Please go ahead.

Andrew Andersen^ Maybe back on the State National matter. I just want to make sure I kind of have the sequence of events correct. I think at year-end, this relationship was nearly fully collateralized. In 1Q, you did increase the loss ratio of this business a little bit. At the same time, you engaged a third-party firm who subsequently I think significantly increased this loss estimate, almost doubled it. So maybe what did the third-party actuarial firm discover that was beyond what you saw in the first quarter and why not engage the firm to review reserve adequacy across the broader State National platform?

Thomas Gayner^ I'm going to ask Brian to respond to that.

Brian Costanzo^ Yes. Andrew, I think your fact pattern is generally correct. As we said at year-end, we had been increasing. We had adequate collateral. There was a small deficiency based on our actuarial view at the end of the first quarter. What we did was we went back and got more granular data on this program that we did not have available. We did our own ground-up actuarial review internally. We engaged a third party. Then we also look at our kind of insurance book of primary casualty that we have written for a long time, have a lot of credible data there, used all of those data points to kind of analyze the claims trend on what we were seeing in that series of programs, five different programs that kind of passed through to this counterparty, and then made a judgment based on our historical reserving philosophy to set a level that we believe is more likely redundant than deficient.

Andrew Andersen^ Okay. It just seems that this increase this quarter, it is a pretty large percentage of state National Surplus, which is, of course part of the broader Markel Group, which is very well capitalized. I'm just surprised to see such a big

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change after one Q. Are you able to share what type of business this was related to or what type of lines?

Brian Costanzo^ Yes. It was mostly primary habitation casualty business across these programs. There was a little bit of excess casualty in there, but that was less than 10%, concentrated in a handful of states.

Andrew Andersen^ Okay. And maybe on the core book, if I look at total insurance [ex cat, ex PYD] loss ratios. It was about 60% in the first quarter and then about 63.5% in the second quarter. Maybe you could help us think about the trajectory throughout the rest of the year? And maybe what's the right run rate for the [ex cat ex-PYD] loss ratio?

Brian Costanzo^ Yes. I would say where we booked in the second quarter is kind of where we feel things are. The main increase driver was we did increase our loss pick on our personal umbrella line here in the second quarter. When we do that, it applies to two quarters of premium. So it becomes a little bit of a larger increase in the quarter. We did that earlier when we started seeing some signs of A versus E that we may typically do later in the year. So try to get out in front of that as early as we were seeing some cracks there.

Andrew Andersen^ Okay. And last one. Within the Financial segment on the combined ratio, it does look like accident year losses were up year-over-year. Is that related to the loss pick adjustment that you had just mentioned or something else within the Financial segment accident year combined ratio?

Brian Costanzo^ No. The underwriting piece of the financial segment is related to the collateral protection line that State National [writes], so that's their other business. We have seen a little bit of heightened losses there, particularly in the first quarter. Second quarter was significantly better. That is a very, very short tail line. So we have real-time indicators, there's not a lot of IBNR that's held there. So it's really moving on kind of actual incurred losses that are coming through from the repossession of audits.

Operator^ Your next question comes from the line of Maxwell Fritscher with Truist.

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Maxwell Fritscher^ I'm calling in for Mark Hughes. What are your observations around pricing in casualty lines? You mentioned last quarter claims trending in the low double digits. Where would you say pricing is relative to that? Then have you seen any incremental competition in those lines since last quarter?

Simon Wilson^ I would -- thanks, Maxwell. It's Simon here. I would say in casualty, what we're seeing across the whole U.S. casualty on average is probably claims trending in the low double-digit kind of numbers, maybe 10%, 12%, something of that nature. Rates on average are probably slightly below that. So there's a divergence, I think, between where the average market is getting rate, maybe 9%, I'd say and then that low double digit on the trend. So that's the average.

What we've been doing is we've been really focused on that book of business in terms of managing the cycle because those average numbers over a period of time just don't work. I mean that's clear to us. So the key actions that we've been taking, and I've mentioned this a couple of times before we've been reducing our line sizes across different risks where we're on. So what was typically a \$10 million line would now be more like a \$5 million line, for example. So that's actually action number one. The second really important action we've been taking is to reduce our exposure to construction casualty, which has caused a significant chunk of the losses out of average, I would say, in those numbers, and we continue to focus on the areas.

The new business unit that I described earlier to focus on the hard-to-place U.S. casualty risk, we feel as though we can underwrite risk in a way that is better quality than the average market in that particular area which is the reason that we've gone after it. So we've tried to focus our attention in areas where we believe that we can get rate which is better than trend. We'll see how that plays out. But that said, we are more in a defensive mode in that U.S. casualty market at the moment. And we are walking away from areas which are really causing the majority of losses to our book and we've probably accelerated that in the first half of this year.

Maxwell Fritscher^ Got it. That's helpful. Then I guess switching gears to property. How do you expect rates to trend in the back half of the year? Of course it will depend on the storm season. But as we stand here now, are you seeing carriers reach a floor and seeing rates stabilize? Or do you expect some incremental pressure there as well?

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Simon Wilson^ Well as you say the first half of this year, it's been very aggressive for competition in that property segment, given that results that have been announced thus far during the year, we can see people are making a lot of profit. Some of the reason for that is we haven't had the winds blow or the fires burn just yet. So there is still competition in that sector. I think some of the more disciplined carriers have started to react by walking away because technical rate probably is being reached. We're just not getting enough premium for the technical amount of risk that we're taking on. But generally, I think that the competition in the property market will continue on a downward kind of trajectory up and until we get some significant losses, which, if you look at the history of the property market, they crop up every now and then.

I think as a long-term player, our job is to make sure that we pick the right risk areas where we feel that we can add something and we can make money at the technical rate, walk away from those where it isn't there, and be around that when the market does start to turn and the capital is valued again to the degree that it needs to be, we'll be there to answer the bell I guess at that point in time. So definitely, a competitive environment for the second half, but we will see how that (inaudible) goes, as you say.

Thomas Gayner^ And Maxwell, you didn't ask this particular question, but I'm going to add some color commentary. Obviously we've been repurchasing our shares. We've noticed a lot of other companies starting to repurchase stock and return capital. And actually, that's a pretty good sign for the insurance industry writ large and the degree of discipline that we're seeing across the board is encouraging to me that the fundamentals of supply and demand would cause things to stay on the rails a little bit more than might have been the case in past insurance market cycles. This is a different set of behaviors you're observing this time around, and it's for the better.

Maxwell Fritscher^ Understood. Then Tom, last quarter you had called out \$700 million underwriting profit as a reasonable number. Then as we sit here today, is that still achievable in your view?

Thomas Gayner^ I think that it's probably a little lighter than that, but we're very encouraged by the progress so far, and I don't want to put a number on it. But

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more importantly, what I observe is in -- with Simon's leadership, with the people that I talk to, people are leaning in, we've got the Cortex business unit that we're -- is now out there and starting to write business. So again, we're a long-term company and those kinds of numbers are definitely achievable, and the organization is set on the right footing right now.

Operator^ Your next question comes from the line of Andrew Kligerman with TD. Cohen.

Andrew Kligerman^ Thanks a lot. I was intrigued by Brian's commentary around the casualty reserve development. He said, I think Brian, you said a lot of adverse development in casualty. Then you mentioned the stoploss. Brian, could you give a little more clarity around the accident years and any numbers would be great? Then with regard to the stop loss, could you give us a little bit of the parameters around that?

Brian Costanzo^ Sure. Yes. So on the casualty side, you'll continue to see, I would say very modest adverse development. It's not concentrated in any year. It's kind of sprinkled across. A versus E has been pretty much on in some lines. It's been better in some classes. It's been a little worse than others. So you got to go down another level to kind of get into kind of what we're reacting to. But on the whole, it's been holding up to kind of what we put up a few years ago in the U.S. to strengthen kind of our net position.

The stop-loss treaty, the way that works, there's a bunch of deductibles that apply to that. Ultimately, what happens is once we hit kind of an aggregate deductible and there's a per claim deductible, there's an amount that is now passed on to the reinsurers. That happens on a last-in first-out basis. So as we sit here today, all of that amount that we're passing along in IBNR, where the incurred losses that are happening in the early part of the tail, 100% belong to us.

So those are set based on expected loss ratios when we negotiate the treaty. Then obviously we've seen kind of since those earlier years, '19, '20, '21, have behaved across the industry worse than I think everyone anticipated, that stop loss treaty has started to kick in and provide IBNR that we are seeding to the treaty.

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Andrew Kligerman^ Got it. Then outside of insurance, I was very curious around both consumer and industrial. So maybe just starting with consumer, 20% adjusted operating income growth on top of 4% revenue, and I think I read in the [Q] about margin enhancement. Do you think that kind of earnings growth is sustainable for the foreseeable future? I mean, any color on what was going on there, because it was an interesting dichotomy between the operating revenue and the adjusted operating income.

Thomas Gayner^ Going to invite my colleague, Andrew, probably to speak to that.

Andrew Crowley^ Andrew, A lot of Andrews here. It's Andrew Crowley. I'll start with the consumer question first. I think when you see 4% on a topline and 20% on a bottom line, it wouldn't be fair to extrapolate those trends into what has driven some of the bottom line is, frankly, the strength of execution of our leaders. As we've mentioned time and time again, we've got great leadership teams, they have an ability to focus on and drive operational efficiency within their markets during pretty good times and some of them are operating in pretty good times. In addition, there's a variety of business within the segment, some of which have a higher margin profile versus others. We've seen some outsized growth in businesses with higher margins, which is resulting in that number you see.

And lastly, as we alluded to, there are some impacts from full period results. EPI was not in the first quarter in its entirety last year. In the current quarter, we have lift from a downstream acquisition in one of our other businesses.

I'll just add one other point on consumer, while we're on it. A good reminder, we called it out in the Q that Q2 is particularly strong for consumer. If you looked last year, you would see about 60% of our earnings came in that quarter alone and about 40% of the revenue. So just contextualizing this quarter versus what to expect in the coming quarters and compare to the first quarter.

On the industrial side -- go ahead, sorry.

Andrew Kligerman^ No. That was very helpful. Yes, on the industrial side -- and that's my last question. Yes, just kind of curious, it's sort of the opposite of consumer, with a 27% decline in operating income versus a 2% gain in revenue. I

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don't know, I'm wondering, is this the construction area? Is there a lot of pressure on margins? Just really curious there, Andrew, what's happening?

Andrew Crowley^ Yes. Thanks for that question. The good news is similar to the other point, up a bit on revenue and down a meaningful amount on profit is also a trend that we don't expect to continue. Just to highlight a couple of things within that, where we have called out markets that are in cyclical decline, specifically car hauling industrial bakery equipment, You do lose a bit of operating leverage as you go down. The good news about those businesses, as Tom alluded to in his shareholder letter in 2024 and Brian in prior comments, over long periods of time we've done well. Our competitive position remains strong, and those end markets are enduring and essential to the economy. So we feel really good about where we are. We're just working through a normal cycle.

In addition, we have a couple of businesses making SG&A investments for the long term, whether it's a branch-based business opening up a new branch that will generate revenue over time. We continue to want to support our leaders in making those types of long-term investments that will pay off. So we're carrying a little extra cost there as well.

Operator^ Your next question comes from the line of Drew Estes with Banyan Capital Management.

Drew Estes^ This is for Tom or Simon. And as you might imagine, this is with regard to State National. I have a few questions. As to the nature of the collateral shortfall, was it that the assets that were posted weren't actually there? Or were they bad assets? Or did losses develop such that the collateral required was just too little? If you could just provide any color on that, that would be great.

Thomas Gayner^ Absolutely. It's full (inaudible), the collateral is fine, it's just that the losses and those are actual estimates of the losses moved at such a rate that have got ahead of the collateral.

Drew Estes^ Okay. Next question is just aggregation risk in State National? It's -- I know a lot of these alternative capacity providers tend to play in the same sand boxes. So how does State National think about that and try to manage that risk for the book as a whole?

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Thomas Gayner^ Yes. I mean that's the normal course of business, and that would be a factor and a thing that will be looked at and managed and thought about all the time. Oftentimes, State National is involved in a very specific kinds of risk or very specific products. And I wouldn't say there are industry-wide aggregation events that are as relevant to some of the selections they would make that would be the case sort of for the industry as a whole. But they have an over 40-year history of managing those processes and that kind of risk quite well.

State National has been a great investment for us, a great contributor. We paid roughly \$900 million for that back in 2017, even including the events of this last quarter, earnings since that time cumulatively are over \$1 billion. They are disciplined first-class operators in what they do, and managing aggregates is just a daily business for their operations. Andrew might have one -- [something] to add.

Andrew Crowley^ Drew, just adding one thing. It's Andrew Crowley. When we think about aggregation, I think you do want to look at it in two ways, one of which is the programs that are originating, the other of which is the reinsurers. I can confirm that we do look at both. In fact, as a result of the work we've been doing, it will result in some collateral top-ups for similar lines of business with other reinsurers who are in financially healthy positions, but we will have collateral increases as a result.

Drew Estes^ Okay. That's good to hear. And just final question. Since all of these fronting insurers are pretty thinly capitalized because they see the risk, I'm curious if this loss will impair State National's ability to do business, and its -- under what conditions would the parent provide support?

Thomas Gayner^ Yes, State National is part of the family and it is well capitalized and continues to be so. We move capital around between different subsidiaries on a regular basis, that's normal course of business. So State National is in good shape and will continue to be set from a capital on view.

Operator^ (Operator Instructions) Your next question comes from the line of Mark Hughes with Truist.

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Mark Hughes^ Yes. Just on State National, I'm just sort of curious what you see in terms of new business opportunities with State National and what might say about just broader capacity flows within the P&C space? Then I think related to that ongoing discussion, what do you see in terms of I guess terms and conditions, capacity providers being eager for risk sharing, that sort of thing? Just how much demand and then what are the -- what's the competitive environment and the ask on the part of potential partners?

Thomas Gayner^ I can't really speak to what others are going to do in industry-wide comments. I can tell you that State National operation that has and will continue to operate with discipline and professionalism and doing their homework and making sure things are buttoned up. And as Simon alluded to earlier, we care about the bottom line more than the top line. They'll continue to operate with that focus as does the rest of Markel. But I can't really speak for the rest of the industry.

Mark Hughes^ Yes. I hear you, definitely. How about the -- just the flow of business or opportunities? Any kind of reflections on capacity, looking at it through the State National lens?

Thomas Gayner^ Andrew has a thought.

Andrew Crowley^ Yes. I would put it in the camp of normal course ins and outs. So there are times where programs will naturally sunset and move on, and there's times where new opportunities arise. I wouldn't put the trajectory as unusually up or down in that regard. In fact, if you just go back over a 5-year time horizon, you would see modest growth at State National and some publications would point to industry growth well above that, which is a reflection of State National continuing to pick its spots where its terms and conditions can be met and letting go spots where it's best suited for another party.

Thomas Gayner^ And I do want to pick up on that, because I think that speaks to the beauty and the design of the Markel Group system writ large. Every single business that's part of this system, that's part of the Markel Group family, operates with a good balance sheet and a long-term time horizon, and the ability to make good long-term decisions and not be under unusual short-term [overly] pressure is really one of the keys and one of the factors that has allowed the double-digit

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compounding, relentless compounding that's been going on around here for decades.

So obviously State National is front and center, and it's in everybody's mind right now. But this is the sort of thing that we can absorb, learn from, improve and the Markel Group system and all the individual operating businesses out there are not overreacting. They're making the good long-term decisions, and as a result it's a pretty powerful map over a long period of time and we fully expect that to continue.

Operator^ This concludes our question-and-answer session. I would like to turn the conference back over to Tom Gayner for any closing remarks.

Thomas Gayner^ Thanks so much for joining us. I appreciate your interest and support. And we look forward to connecting with you again soon. Thank you.

Operator^ The conference call has now concluded. Thank you for attending today's presentation. You may now disconnect.