

Markel reports 2022 third quarter and nine-months results

11/1/2022

RICHMOND, Va., Nov. 1, 2022 /PRNewswire/ -- Markel Corporation (NYSE:MKL) today reported its financial results for the third quarter of 2022. The Company also announced today it filed its Form 10-Q for the quarter ended September 30, 2022, with the Securities and Exchange Commission.

"Our insurance, investments, and Markel Ventures engines together provide a diverse and well-balanced stream of cash flows to build shareholder value. Our insurance engine generated double-digit top line growth and underwriting profits of \$490 million through three quarters, as we continued to execute well in the current underwriting environment and write a substantial amount of new business," said Thomas S. Gayner and Richard R. Whitt, Co-Chief Executive Officers.

"In addition to our underwriting and expense discipline, recent changes in our property catastrophe underwriting strategy focused on minimizing volatility mitigated the impact of Hurricane Ian on our underwriting results and contributed to a combined ratio in the low 90s for the quarter. Markel Ventures also achieved profitable growth while continuing to navigate a difficult macro-economic environment.

"Within our investment engine, we are beginning to see the benefit of higher interest rates on our net investment income through our recent purchases of higher yielding securities, which will also have a positive impact on our future interest income cash flows," Gayner and Whitt added. "The higher interest rate environment negatively impacted our comprehensive income and book value due to decreases in the fair value of our bond portfolio this year. However, we typically hold our bonds to maturity and would generally expect those unrealized losses to reverse as the bonds mature in future periods. There are no current or expected credit losses in our highly rated fixed income portfolio.

"After the past few years of extraordinary returns in the equity markets, our equity portfolio is down this year. Generally accepted accounting principles require that we include unrealized gains and losses on equity securities in net income. Given the magnitude of our equity portfolio, we believe this approach creates volatility in revenues and net income that can obscure the strong operating performance of our businesses and does not align with our long-term investment philosophy. Our long-term investment performance is better reflected in the cumulative unrealized gains of \$3.9 billion in the fair value of our equity portfolio as of September 30, 2022," Gayner and Whitt remarked.

"As we allocate capital across our three engines, we expect to find more opportunities amid the current market volatility. We continue to purchase high-quality equity securities, including Market stock."

The following tables present summary financial data for the quarters and nine months ended September 30, 2022 and 2021.

(dollars in thousands, except per share amounts)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Earned premiums	\$ 1,956,830	\$ 1,630,500	\$ 5,549,704	\$ 4,696,232
Market Ventures operating revenues	\$ 1,216,063	\$ 908,185	\$ 3,527,853	\$ 2,690,293
Net investment gains (losses)	\$ (281,483)	\$ (25,833)	\$ (2,194,525)	\$ 1,175,791
Comprehensive income (loss) to shareholders	\$ (367,428)	\$ 80,236	\$ (2,177,904)	\$ 1,288,887
Diluted net income (loss) per common share	\$ 3.50	\$ 15.09	\$ (72.31)	\$ 114.20
Combined ratio	93 %	93 %	91 %	91 %

(in thousands, except per share amounts)	September 30,	December 31,
	2022	2021
Book value per common share	\$ 868.68	\$ 1,036.20
Common shares outstanding	13,471	13,632

Highlights of results from the quarter and nine months include:

- Earned premiums for the quarter and nine months ended September 30, 2022 grew 20% and 18%, respectively, reflecting continued growth in gross premium volume from new business, strong policy retention levels, more favorable rates and expanded product offerings.
- Underwriting results for the quarter ended September 30, 2022 included \$70.0 million, or four points on the combined ratio, of net losses and loss adjustment expenses from Hurricane Ian. Underwriting results for the quarter ended September 30, 2021 included \$114.4 million, or seven points on the combined ratio, of net losses and loss adjustment expenses attributed to Hurricane Ida and the floods in Europe.

- The combined ratio for both the quarter and nine months ended September 30, 2022 was consistent with the same periods of 2021. For both periods of 2022, lower catastrophe losses and a lower expense ratio were offset by the impact of less favorable development on prior accident years loss reserves.
- Growth in operating revenues from our Markel Ventures operations reflected contributions from our 2021 acquisitions and the impact of increased demand and higher prices across many of our businesses.
- Net investment losses in 2022 reflected a substantial decrease in the fair value of our equity portfolio resulting from significant declines in the public equity markets. Substantially all of our net investment losses in 2022 were unrealized. We hold our investments over longer periods of time, where investment returns generally reflect less volatility than quarterly and annual results.
- Comprehensive loss to shareholders in 2022, for both the quarter and nine months, was a result of net investment losses and unrealized losses on our fixed maturity portfolio. We typically hold our fixed maturity investments to maturity and generally would expect these losses to reverse over time.

We believe our financial performance is most meaningfully measured over longer periods of time, which typically mitigates the effects of short-term volatility and aligns with the longer-term perspective we apply to operating our businesses. We generally use five-year periods to measure our performance. Over the five-year period ended September 30, 2022, the compound annual growth in book value per common share was 6.3%. Over the five-year period ended September 30, 2022, our share price increased at a compound annual rate of 0.3%.

A copy of our Form 10-Q is available on our website at www.markel.com or on the SEC website at www.sec.gov. Readers are urged to review the Form 10-Q for a more complete discussion of our financial performance. Our quarterly conference call, which will involve discussion of our financial results and business developments and may include forward-looking information, will be held Wednesday, November 2, 2022, beginning at 9:30 a.m. (Eastern Time). Investors, analysts and the general public may listen to the call free over the Internet through our website, at www.markel.com in the "For investors" section. The call also may be accessed by dialing (888) 330-2508 in the U.S. or (240) 789-2735 internationally and providing Conference ID: 4614568. A replay of the call also will be available on our website from approximately one hour after the conclusion of the call until Monday, November 14, 2022.

About Markel Corporation

Markel Corporation is a diverse financial holding company serving a variety of niche markets. The Company's principal business markets and underwrites specialty insurance products. In each of the Company's businesses, it seeks to provide quality products and excellent customer service so that it can be a market leader. The financial goals of the Company are to earn consistent underwriting and operating profits and superior investment returns to build shareholder value. Visit Markel Corporation on the web at www.markel.com.

Cautionary Statement

Certain of the statements in this release may be considered forward-looking statements as defined in the Private

Securities Litigation Reform Act of 1995, as amended. Statements that are not historical facts, including statements about our beliefs, plans or expectations, are forward-looking statements. These statements are based on our current plans, estimates and expectations. There are risks and uncertainties that could cause actual results to differ materially from those expressed in or suggested by such statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additional factors that could cause actual results to differ from those predicted are set forth under "Business Overview," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021 and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022. We assume no obligation to update this release (including any forward-looking statements) as a result of new information, developments, or otherwise. This release speaks only as of the date issued.

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