UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2007**

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: 001-15811

MARKEL CORPORATION

(Exact name of registrant as specified in its charter)

Virginia	**54-1959284**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148

(Address of principal executive offices)

(Zip Code)

(804) 747-0136

(Registrant s telephone number, including area code)

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 for 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 ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares of the registrant s common stock outstanding at October 29, 2007: 9,956,743

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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, 2007	December 31, 2006
	(dollars in thousands)	
ASSETS		
Investments, available-for-sale, at estimated fair value:		
Fixed maturities (amortized cost of $5,371,115 in 2007 and $4,996,386 in 2006)	$ 5,337,556	$ 5,000,969
Equity securities (cost of $1,205,038 in 2007 and $1,059,345 in 2006)	1,858,539	1,766,273
Short-term investments (estimated fair value approximates cost)	75,492	139,499
Investments in affiliates	77,352	73,439
Total Investments	7,348,939	6,980,180
Cash and cash equivalents	383,626	555,115
Receivables	348,844	322,982
Reinsurance recoverable on unpaid losses	1,117,228	1,257,453
Reinsurance recoverable on paid losses	89,325	105,003
Deferred policy acquisition costs	219,432	218,392
Prepaid reinsurance premiums	132,841	117,889
Goodwill and intangible assets	345,861	339,717
Other assets	243,512	191,400
Total Assets	$ 10,229,608	$ 10,088,131
LIABILITIES AND SHAREHOLDERS EQUITY		
Unpaid losses and loss adjustment expenses	$ 5,611,043	$ 5,583,879
Unearned premiums	1,046,023	1,007,801
Payables to insurance companies	68,102	58,880
Senior long-term debt (estimated fair value of $709,000 in 2007 and $801,000 in 2006)	680,353	751,978
Junior Subordinated Deferrable Interest Debentures (estimated fair value of $111,000 in 2006)		106,379
Other liabilities	262,079	282,821
Total Liabilities	7,667,600	7,791,738
Shareholders equity:		
Common stock	865,834	854,561
Retained earnings	1,323,828	1,015,679
Accumulated other comprehensive income:		
Net unrealized holding gains on investments, net of taxes of $216,980 in 2007 and $249,029 in 2006	403,366	462,482
Cumulative translation adjustments, net of tax benefit of $3,740 in 2007 and $6,094 in 2006	(6,947)	(11,316)
Net actuarial pension loss, net of tax benefit of $12,962 in 2007 and $13,469 in 2006	(24,073)	(25,013)
Total Shareholders Equity	2,562,008	2,296,393

Commitments and contingencies		
Total Liabilities and Shareholders Equity	$ 10,229,608	$ 10,088,131

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income

	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(dollars in thousands, except per share data)			
OPERATING REVENUES				
Earned premiums	$ 535,517	$ 561,961	$ 1,598,092	$ 1,625,631
Net investment income	80,938	71,032	235,487	203,351
Net realized investment gains	3,000	1,421	64,730	39,850
Total Operating Revenues	619,455	634,414	1,898,309	1,868,832
OPERATING EXPENSES				
Losses and loss adjustment expenses	285,286	284,535	839,108	881,978
Underwriting, acquisition and insurance expenses	182,026	188,818	561,094	551,333
Amortization of intangible assets	597		1,195	
Total Operating Expenses	467,909	473,353	1,401,397	1,433,311
Operating Income	151,546	161,061	496,912	435,521
Interest expense	13,601	16,435	43,385	47,808
Income Before Income Taxes	137,945	144,626	453,527	387,713
Income tax expense	45,592	40,528	141,299	116,593
Net Income	$ 92,353	$ 104,098	$ 312,228	$ 271,120
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gains (losses) on investments, net of taxes:				
Net holding gains (losses) arising during the period	$ 18,116	$ 134,271	$ (14,030)	$ 69,100
Less reclassification adjustments for net gains included in net income	(1,950)	(1,430)	(45,086)	(27,165)
Net unrealized gains (losses)	16,166	132,841	(59,116)	41,935
Currency translation adjustments, net of taxes	2,708	48	4,369	802
Amortization of net actuarial pension loss, net of taxes	321		940	
Total Other Comprehensive Income (Loss)	19,195	132,889	(53,807)	42,737
Comprehensive Income	$ 111,548	$ 236,987	$ 258,421	$ 313,857
NET INCOME PER SHARE				
Basic	$ 9.28	$ 10.77	$ 31.34	$ 27.99
Diluted	$ 9.26	$ 10.47	$ 31.28	$ 27.24

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders Equity

	Nine Months Ended September 30, 2007	2006
	(dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	$ 854,561	$ 743,503
Issuance of common stock	5,626	946
Cumulative effect of adoption of FASB Interpretation No. 48	2,831	
Restricted stock units expensed	2,284	1,036
Tax benefit on closed stock option plans	532	
Balance at end of period	$ 865,834	$ 745,485
RETAINED EARNINGS		
Balance at beginning of period	$ 1,015,679	$ 669,057
Net income	312,228	271,120
Repurchases of common stock	(24,210)	(45,879)
Cumulative effect of adoption of FASB Interpretation No. 48	20,131	
Balance at end of period	$ 1,323,828	$ 894,298
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Net unrealized holding gains on investments, net of taxes:		
Balance at beginning of period	$ 462,482	$ 302,509
Net unrealized gains (losses) on investments, net of taxes	(59,116)	41,935
Balance at end of period	403,366	344,444
Cumulative translation adjustments, net of taxes:		
Balance at beginning of period	(11,316)	(9,636)
Currency translation adjustments, net of taxes	4,369	802
Balance at end of period	(6,947)	(8,834)
Net actuarial pension loss, net of taxes:		
Balance at beginning of period	(25,013)	
Amortization of net actuarial pension loss, net of taxes	940	
Balance at end of period	(24,073)	
Balance at end of period	$ 372,346	$ 335,610
SHAREHOLDERS EQUITY AT END OF PERIOD	$ 2,562,008	$ 1,975,393

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2007	2006
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$ 312,228	$ 271,120
Adjustments to reconcile net income to net cash provided by operating activities	71,098	91,336
Net Cash Provided By Operating Activities	383,326	362,456
INVESTING ACTIVITIES		
Proceeds from sales of fixed maturities and equity securities	772,440	1,157,057
Proceeds from maturities, calls and prepayments of fixed maturities	144,813	106,063
Cost of fixed maturities and equity securities purchased	(1,307,396)	(1,472,830)
Net change in short-term investments	64,007	(75,230)
Cost of investments in affiliates		(56,003)
Acquisitions, net of cash acquired	(8,103)	
Other	(12,322)	(10,006)
Net Cash Used By Investing Activities	(346,561)	(350,949)
FINANCING ACTIVITIES		
Additions to senior long-term debt		145,402
Repayment and retirement of senior long-term debt	(73,032)	(4,549)
Retirement of Junior Subordinated Deferrable Interest Debentures	(111,012)	(36,421)
Repurchases of common stock	(24,210)	(45,879)
Net Cash Provided (Used) By Financing Activities	(208,254)	58,553
Increase (decrease) in cash and cash equivalents	(171,489)	70,060
Cash and cash equivalents at beginning of period	555,115	333,757
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 383,626	$ 403,817

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

Markel Corporation (the Company) markets and underwrites specialty insurance products and programs to a variety of niche markets.

The consolidated balance sheet as of September 30, 2007, the related consolidated statements of income and comprehensive income for the quarters and nine months ended September 30, 2007 and 2006, the consolidated statements of changes in shareholders equity and the consolidated statements of cash flows for the nine months ended September 30, 2007 and 2006 are unaudited. In the opinion of management, all adjustments necessary for 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 entire year. The consolidated balance sheet as of December 31, 2006 was derived from the Company s audited annual consolidated financial statements.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from the estimates and assumptions used in preparing the consolidated financial statements.

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. Readers are urged to review the Company s 2006 Annual Report on Form 10-K for a more complete description of the Company s business and accounting policies.

Certain prior year amounts have been reclassified to conform to the current presentation.

2. Net Income per Share

Net income per share was determined by dividing net income by the applicable weighted average shares outstanding.

	Quarter Ended September 30,		Nine Months Ended September 30,	
(amounts in thousands, except per share amounts)	**2007**	**2006**	**2007**	**2006**
Net income as reported	$ 92,353	$ 104,098	$ 312,228	$ 271,120
Interest expense, net of tax, on convertible notes payable		690		2,046
Adjusted net income	$ 92,353	$ 104,788	$ 312,228	$ 273,166
Basic common shares outstanding	9,957	9,662	9,962	9,685
Dilutive effect of convertible notes payable		332		332
Other dilutive potential common shares	18	12	19	10
Diluted shares outstanding	9,975	10,006	9,981	10,027
Basic net income per share	$ 9.28	$ 10.77	$ 31.34	$ 27.99
Diluted net income per share	$ 9.26	$ 10.47	$ 31.28	$ 27.24

Prior to the conversion of the Company s convertible notes payable in December 2006, diluted net income per share reflected the application of the if-converted method as defined in Statement of Financial Accounting Standards (Statement) No. 128, *Earnings Per Share*.

3. Reinsurance

The following table summarizes the effect of reinsurance on premiums written and earned.

(dollars in thousands)	**Quarter Ended September 30, 2007**		**2006**	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 559,931	$ 564,865	$ 599,038	$ 610,612
Assumed	40,654	47,688	36,271	40,853
Ceded	(87,021)	(77,036)	(86,028)	(89,504)
Net premiums	$ 513,564	$ 535,517	$ 549,281	$ 561,961

(dollars in thousands)	**Nine Months Ended September 30, 2007**		**2006**	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 1,689,205	$ 1,696,960	$ 1,823,777	$ 1,775,892
Assumed	168,314	133,794	147,794	126,278
Ceded	(243,819)	(232,662)	(272,691)	(276,539)
Net premiums	$ 1,613,700	$ 1,598,092	$ 1,698,880	$ 1,625,631

Incurred losses and loss adjustment expenses were net of reinsurance recoverables (ceded incurred losses and loss adjustment expenses) of $16.4 million and $6.9 million, respectively, for the quarters ended September 30, 2007 and 2006 and $78.8 million and $56.1 million, respectively, for the nine months ended September 30, 2007 and 2006.

4. Junior Subordinated Deferrable Interest Debentures (8.71% Junior Subordinated Debentures)

The Company redeemed $106.4 million principal amount of its 8.71% Junior Subordinated Debentures for $111.0 million on January 2, 2007. This redemption resulted in a loss of $4.6 million, which is reflected in net realized investment gains.

5. Income Taxes

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax positions that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. The Company adopted the provisions of FIN 48 on January 1, 2007. In general, the Company is not subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years prior to 2003 and, accordingly, a liability for uncertain tax positions was not required for those years.

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As a result of adopting FIN 48, retained earnings increased $20.1 million; goodwill decreased $9.4 million, primarily related to the Company s acquisition of Markel International; and common stock increased $2.8 million related to closed stock option plans and other capital transactions. In addition, the valuation allowance established upon the acquisition of Markel International and a corresponding deferred tax asset were both decreased by $37.5 million.

At the time it adopted FIN 48, the Company had unrecognized tax benefits of $45.8 million. If recognized, $6.8 million of these tax benefits would decrease the annual effective tax rate, $37.5 million would decrease goodwill and $1.5 million would decrease deferred tax assets in the year those benefits are realized. There were no significant changes in unrecognized tax benefits during the nine months ended September 30, 2007, and the Company does not currently anticipate any significant changes in unrecognized tax benefits during 2007.

The Company classifies all interest and penalties associated with uncertain tax positions as income tax expense. Upon adoption of FIN 48, the Company recorded a liability of $3.3 million related to interest and penalties in other liabilities.

The IRS is currently examining the Company s 2005 federal income tax return. The Company believes its income tax liabilities were adequate as of September 30, 2007; however, these liabilities could be adjusted as a result of this examination.

6. Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes net holding gains (losses) on investments arising during the period less reclassification adjustments for net gains included in net income. Other comprehensive income (loss) also includes foreign currency translation adjustments and, in 2007, the amortization of net actuarial pension loss. The related tax expense (benefit) on net holding gains (losses) on investments arising during the period was $9.7 million and $(7.8) million, respectively, for the quarter and nine months ended September 30, 2007 and $72.3 million and $37.2 million, respectively, for the same periods in 2006. The related tax expense on the reclassification adjustments for net gains included in net income was $1.1 million and $24.3 million, respectively, for the quarter and nine months ended September 30, 2007 and $0.8 million and $14.6 million, respectively, for the same periods in 2006. The related tax expense on foreign currency translation adjustments was $1.5 million and $2.4 million, respectively, for the quarter and nine months ended September 30, 2007 and less than $0.1 million and $0.4 million, respectively, for the same periods in 2006. The related tax expense on the amortization of net actuarial pension loss was $0.2 million and $0.5 million, respectively, for the quarter and nine months ended September 30, 2007.

7. Contingencies

The Company s estimates of losses from the 2005 Hurricanes assume that flood exclusions in its property policies will generally apply to flood damage in the New Orleans area following Hurricane Katrina. Beginning in late November 2006, Louisiana state and federal trial courts ruled in a number of cases (most of which the Company was not a party to) that flood damage following the New Orleans area levee breaches may not be excluded from coverage under policies similar to those the Company has written. The initial federal court ruling was appealed to the United States Court of Appeals for the Fifth Circuit, and that court overturned the trial court ruling, holding that flood exclusions in the policies under consideration unambiguously excluded coverage. While this ruling is favorable to the Company s position and is binding on federal trial courts in the Fifth Circuit

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(Louisiana, Mississippi and Texas) where much of the Katrina-related litigation is taking place, there is also pending litigation in state courts, which are not bound by the Fifth Circuit s ruling. If there are adverse rulings by Louisiana state appellate courts holding that flood damage is covered under the Company s policies, losses associated with Hurricane Katrina will increase. Given the significant uncertainties involved, the Company cannot quantify the potential adverse impact of any such rulings at this time, but it could be material.

Other contingencies arise in the normal conduct of the Company s operations and are not expected to have a material impact on the Company s financial condition or results of operations. However, adverse outcomes are possible and could negatively impact the Company s financial condition and results of operations.

8. Segment Reporting Disclosures

The Company operates in three segments of the specialty insurance marketplace: the Excess and Surplus Lines, the Specialty Admitted and the London markets.

All investing activities are included in the Investing segment. For purposes of segment reporting, the Other segment includes lines of business that have been discontinued in conjunction with an acquisition.

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 each of the Company s operating segments is measured by underwriting profit or loss. The property and casualty insurance industry commonly defines underwriting profit or loss as earned premiums net of losses and loss adjustment expenses and underwriting, acquisition and insurance expenses. Underwriting profit or loss does not replace operating income or net income computed in accordance with U.S. GAAP as a measure of profitability. Underwriting profit or loss provides a basis for management to evaluate the Company s underwriting performance. Segment profit for the Investing segment is measured by net investment income and net realized investment gains or losses.

The Company does not allocate assets to the Excess and Surplus Lines, Specialty Admitted and London Insurance Market operating segments for management reporting purposes. Total invested assets and the related net investment income are allocated to the Investing segment since these assets are available for payment of losses and expenses for all operating segments. The Company does not allocate capital expenditures for long-lived assets to any of its operating segments for management reporting purposes.

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a) The following tables summarize the Company s segment disclosures.

	Quarter Ended September 30, 2007					
(dollars in thousands)	**Excess and Surplus Lines**	**Specialty Admitted**	**London Insurance Market**	**Investing**	**Other**	**Consolidated**
Gross premium volume	$ 338,340	$ 100,046	$ 161,853	$	$ 346	$ 600,585
Net written premiums	280,402	94,114	138,861		187	513,564
Earned premiums	$ 292,277	$ 81,733	$ 161,320	$	$ 187	$ 535,517
Losses and loss adjustment expenses:						
Current year	185,585	49,964	103,712			339,261
Prior years	(51,630)	(3,007)	(20,020)		20,682	(53,975)
Underwriting, acquisition and insurance expenses	97,037	26,905	61,129		(3,045)	182,026
Underwriting profit (loss)	61,285	7,871	16,499		(17,450)	68,205
Net investment income				80,938		80,938
Net realized investment gains				3,000		3,000
Segment profit (loss)	$ 61,285	$ 7,871	$ 16,499	$ 83,938	$ (17,450)	$ 152,143
Amortization of intangible assets						597
Interest expense						13,601
Income before income taxes						$ 137,945
U.S. GAAP combined ratio(1)	79%	90%	90%		NM(2)	87%

	Quarter Ended September 30, 2006					
(dollars in thousands)	**Excess and Surplus Lines**	**Specialty Admitted**	**London Insurance Market**	**Investing**	**Other**	**Consolidated**
Gross premium volume	$ 362,569	$ 96,943	$ 175,584	$	$ 213	$ 635,309
Net written premiums	302,765	94,810	151,411		295	549,281
Earned premiums	$ 315,051	$ 83,047	$ 163,568	$	$ 295	$ 561,961
Losses and loss adjustment expenses:						
Current year	176,565	54,939	93,029			324,533
Prior years	(56,064)	(5,717)	5,052		16,731	(39,998)
Underwriting, acquisition and insurance expenses	102,110	25,075	61,212		421	188,818
Underwriting profit (loss)	92,440	8,750	4,275		(16,857)	88,608
Net investment income				71,032		71,032
Net realized investment gains				1,421		1,421
Segment profit (loss)	$ 92,440	$ 8,750	$ 4,275	$ 72,453	$ (16,857)	$ 161,061
Interest expense						