

Markel Risk Solutions



November 2004

'Tis the Season—Almost

It may be a little early to get out your holiday decorations, but the insurance industry is well entrenched in receiving December and January 1, 2005, new business prospects.

In order for us to give you the best quote up front and meet your timeline, don't wait until the last minute to send your year-end and 1/1/05 new business to MRS. We realize that we may receive a new business opportunity after your standard market has rejected the business for one reason or another, but giving us more time to review the account at year end will help us convert it to a win for you and MRS.

There are several other important things you can do to increase your chances of success with a new business account, no matter when the expiration date is.

Please send us completed applications, including loss runs for the current year and 3 prior years. The

applicant's web address is also a valuable tool in assessing the account opportunity. Information regarding the marketing situation on the account, such as whether you control the account, current carrier's renewal intentions, and underwriting issues or problems related to the account, are all excellent points to communicate to the underwriter when submitting a new business opportunity.

We are well-positioned to end 2004 in a winning fashion with you and look forward to our mutual success in 2005!



Best Rating Reaffirmed

Markel Insurance Company's rating has been reaffirmed by A.M. Best Company as A XI. With the current insurance climate in flux due to carrier downgrades and mergers and acquisitions, it's critical to place your business with a reliable, stable, and financially sound insurance organization. Markel has and always will do things right!

Markel Risk Solutions Wants to Write your HBB!

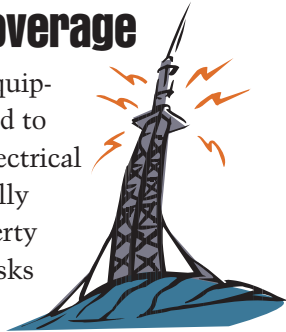
You will recall that in August you received an e-mail describing the concept of what we call an HBB, or homogeneous block of business. In the announcement we indicated MRS is very interested in writing a block or book of business consisting of individual accounts with similar characteristics that would generate a minimum premium level of \$750,000 within a 12 month period. The response generated from the announcement has been excellent, and we appreciate your interest in discussing and submitting your particular HBB. In fact, subsequent to the August announcement, we have launched a scrap metal dealers HBB and a commercial roofing contractors HBB. These two new HBBs are in addition to the hotel, tourist cavern, golf tournament, and apartment building owners HBBs currently written.

We are currently prospecting and have enthusiastic expectations for several additional HBBs, including temporary staffing, condominium associations, janitorial services, franchise restaurants, and fine dining restaurants.



Round Out Your Account with Systems Breakdown Coverage

Mechanical, electrical, or pressure equipment breakdown coverage is designed to cover the mechanical breakdown, electrical arcing, or systems breakdown typically excluded from the commercial property coverage form. There are very few risks that do not have some exposure to mechanical breakdown. Virtually anything that runs on electricity has some degree of loss potential if damaged or destroyed. Boilers and pressure vessels are susceptible to explosion and other incidents that are sudden and accidental in nature.



Partnering with Mutual Boiler Re, Markel Risk Solutions will provide seamless coverage for boiler, systems, and mechanical breakdown at very competitive rates. There are several benefits you can sell to the insured.

- Coverage eliminates gaps in property forms.
- Coverage is broader than monoline boiler and machinery policies.

- More losses are covered.
- Coverage is easy to understand.
- Premium is inexpensive for the coverage.
- Jurisdictional boiler inspections are included automatically.
- Business income coverage tracks policy limit.

Examples of covered equipment can include electrical equipment, communications, production machinery, air conditioning and refrigeration equipment, motors, computers, office equipment, security systems, telephone systems, and boilers and pressure vessels, just to name a few.

Call your MRS underwriter for more information on this important coverage.



Movin' on Up

Congratulations to Julie Rogers and Jeff Barnard on their recent promotions. Julie has been promoted from Senior Underwriter to Executive Underwriter. Jeff has been promoted from Underwriter to Senior Underwriter. Please join us in congratulating Julie and Jeff.

Is Inflation Causing Insurance Gaps in Building Replacement Cost Valuations?

The valuation of real property is again becoming a key risk management tool when identifying the proper insurance limit for building coverage for real estate schedules. A recent *Wall Street Journal* article indicated that in a report released by Willis Group Holdings, Ltd., "construction costs for commercial and industrial buildings in the U.S. have increased 11% in the past 12 months caused by unprecedented increases in the prices of steel, cement, petroleum products, shipping costs and the construction boom occurring in

China." In effect, if policyholders have maintained a level equal to annual inflation over the last several years, they could be underinsured by approximately 11% for their upcoming policy renewal.

Many policies have an inflation guard provision that increases the insured's building limit by a certain percentage, usually 4%, if the insured sustains a loss. Most inflation guard percentage increases are far lower than 11%. A more adequate way of determining the appropriate replacement cost is utilizing one or more construction cost index methods that are common in the insurance arena. Among these methods are Marshall & Swift, Industrial Risk Insurers, and FM Global. Finally, building owners can simply order



and obtain an updated current building valuation from a certified risk engineer.

Please give your MRS underwriter a call with any questions you may have about insuring your client at the appropriate replacement cost limit.

MRS New Business Hit List

The following list of new business shows the wide variety of accounts we've recently written.

Account	Premium
Apartment Building	\$40,646
Automobile Dismantler	\$96,271
Cardboard Box Recycler	\$30,272
Casino	\$101,225
Cellulose Insulation Manufacturer	\$123,941
Commercial Landscape Contractor	\$70,118
Commercial Roofing Contractor	\$348,854
Condo Homeowners Association	\$129,500
Days Inn Motel	\$56,677
Electrical Contractor	\$184,204
Fencing Contractor	\$139,901
Golden Corral Restaurant	\$33,242
Grocery Store Chain	\$147,572
Hilton Hotel	\$37,811
Janitorial Service	\$39,665
Manufacturer of Non-Toxic Water-Based Coatings	\$153,664
Masonry Contractor	\$178,923
Office Partition Manufacturing and Installation	\$35,504
Plumbing Contractor	\$66,612
Retail Drug Store Chain	\$60,628
Scrap Metal Recycler	\$67,344
Sports Grille	\$41,287
Steel Fabricator	\$71,012
Theatrical Lighting Design	\$67,536
Theme Style Restaurant	\$35,265

What Types of Business Does Markel Risk Solutions Handle?

The simplest answer is: Accounts that you are having difficulty placing with one of your "standard" market carriers for various reasons such as carriers retiring from a particular "class" of business, loss history associated with an account, carrier mergers and acquisitions or A.M. Best rating downgrades. We call this "gray" market business. It may be a truly "tough" account which is currently written on a non-admitted basis or an account that could be considered on the "lighter shade of gray". This can be an account that is typically written in the standard market but for one reason or another does not have a ready home with another contract carrier within your agency. Often, standard markets tend to underwrite in a limited class underwriting approach that may leave good business without a home. That can create a significant opportunity for you and MRS.

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New Faces in MRS

Duane Osinski

Senior Underwriter

Duane brings over 18 years of P&C experience to MRS. Duane began his underwriting career with Kemper Insurance. He joined CIGNA in Charlotte, NC, in 1994 as a Senior Underwriter. In 2002, he joined Royal & Sun Alliance as an Underwriting Specialist for the Manufacturing Industry Group. Duane is a graduate of the University of Connecticut and obtained his CPCU designation in 1991.

Liann Rider

Underwriter

Liann brings over 12 years of multi-line underwriting experience to MRS. She has held underwriting positions with property and casualty, professional liability, and reinsurance carriers. She most recently held the position of Agency Management Specialist with Selective Insurance Company. She is a graduate of the College of William and Mary.

Mary Patterson

Associate Underwriter

Mary brings 24 years of experience in the P&C arena to MRS. She most recently worked at W. R. Berkley, where she held various associate underwriting positions. She also assisted with training and development needs for the organization.

Cynthia Whitehead

Associate Underwriter

Cynthia brings 18 years of commercial insurance experience to MRS. She most recently worked at Arrowhead Public Facility as a Sr. Rater/Underwriter Assistant. She has also worked for several large property and casualty carriers, including CNA and Travelers, in various rating and assistant underwriting capacities.

What We Write

We're often asked for examples of what we're willing to write. Our appetite runs the gamut and crosses all categories of business enterprises. The following are accounts we've recently written and classes of business we're eager to entertain (subject to individual account underwriting and pricing, as always). The list is not all-inclusive, but gives you a general flavor for our underwriting appetite.

Commercial Contractors (other than general contractors)

- HVAC contractors
- Carpentry
- Water well drilling
- Driveway/parking lot/sidewalk paving
- Drywall/wallboard
- Electrical contractors
- Excavation
- Fence erection
- Floor covering installation
- Grading of land
- Janitorial services
- Landscape gardening
- Masonry
- Metal/steel erection (non-high rise)
- Painting contractors
- Plastering or stucco work
- Plumbing – commercial

- Roofing
- Sheet metal work
- Street cleaning (not highways)
- Tire distributors
- Tree trimming/pruning

Habitational

- Apartments
- Residential condominiums

Hospitality

- Caterers
- Restaurants (fast food to fine dining)
- Institutional food service
- Hotels

Manufacturers

- Appliance and accessories manufacturing
- Bottle and jar manufacturing
- Box or container manufacturing
- Brick manufacturing
- Cable or wire manufacturing
- Candle manufacturing
- Candy or confectionary manufacturing
- Carpet or rug manufacturing
- Clothing or textiles manufacturing
- Concrete or plaster manufacturing
- Dairy products manufacturing
- Door or window manufacturing
- Electronic components manufacturing
- Electroplating/galvanizing
- Food products manufacturing
- Furniture manufacturing
- Ink manufacturing

- Machine shops – to customer specs
- Meat processor
- Metal goods manufacturing
- Paper/paper goods manufacturing
- Pattern manufacturing
- Plastic or rubber goods manufacturing
- Plumbing fixtures manufacturing
- Sign manufacturing
- Wood products manufacturing

Retail

- Building materials dealers
- Convenience stores
- Grocery stores
- Shopping centers
- Department stores
- Furniture stores

Wholesalers/Distributors

- Appliance distributors
- Beverage distributors – beer and others
- Electrical equipment distributors
- Fabric distributors
- Floor covering distributors
- Food distributors
- Hardware and tool distributors
- Machinery or parts distributors
- Metal dealers or distributors
- Newspaper or magazine distributors
- Office machines or appliances distributors
- Paper products distributors
- Plumbing fixtures/supplies dealers
- Refrigeration equipment dealers

Markel Risk Solutions *continued from page 2*

We focus on commercial accounts with annual premiums ranging from \$25,000 and up. There is virtually no account premium size that limits our underwriting appetite.

Although we typically avoid accounts which are driven primarily by aviation, trucking, environmental, residen-

tial construction, or high hazard products liability, we have had major success in a broad spectrum of business enterprises. A detailed list of the types of accounts we are willing to write are included within this newsletter.

Contact your MRS underwriter to discuss your particular account opportunity.