# Project Outline: Markel Risk Advisory Service for Markel Group Inc.

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## About Markel Risk Advisory Service

The Markel Risk Advisory Service is a new initiative aimed at providing businesses with proactive, data-driven risk management solutions. Unlike traditional insurance products that react to problems after they occur, this service is focused on prevention and proactive solutions. The advisory service will provide businesses with customized risk assessments, actionable insights, and tailored strategies to help them navigate the risks specific to their industry. From smaller startups to large corporations, clients will receive ongoing support and guidance, ensuring they stay one step ahead of potential threats. This new service aligns perfectly with Markel’s mission to offer more than just insurance and become a trusted partner in managing and mitigating risk, before it turns into a costly problem.

## Goals

The Markel Risk Advisory Service is designed to offer a forward-thinking, data-driven approach that helps clients not only react to risks but also anticipate and prevent them. This proactive strategy enables businesses to stay ahead of potential threats, building stronger client loyalty and fostering deeper engagement. By adopting a subscription-based model, the service provides steady and predictable revenue, while also strengthening long-term relationships with clients who desire ongoing support and guidance in managing their risks effectively. Furthermore, the advisory service allows Markel to distinguish itself from competitors by positioning the company as a leader in proactive risk management, which will help expand its market share. By closely collaborating with clients to understand and address their unique risks, Markel can create opportunities to cross-sell additional insurance products, ultimately increasing overall revenue. This comprehensive approach reinforces Markel’s reputation as a trusted partner and sets the company apart in a competitive market.

## Target Customer

The Markel Risk Advisory Service is designed for a broad range of businesses, with a focus on industries that face unique and complex risks:

* **Small to Medium-Sized Enterprises (SMEs):** Many SMEs lack the resources to hire full-time risk management experts, making them ideal candidates for a service that provides affordable, tailored risk assessments and actionable insights.
* **Large Corporations:** These businesses often deal with multifaceted risks, including cybersecurity threats, regulatory compliance, and environmental hazards. They are more likely to invest in a comprehensive service that can address these issues before they cause major disruptions.
* **Niche Industries:** Markel is well-positioned to serve industries with unique risks, such as healthcare, manufacturing, financial services, and technology. Companies in these sectors often need specialized guidance to navigate complex regulatory requirements and operational risks.

## Market Opportunity

There is a growing recognition that risk management goes beyond simply purchasing insurance; it involves understanding and mitigating risks before they escalate into major issues. As businesses continue to grow and become more interconnected, they face increasingly complex risks, ranging from cybersecurity threats and compliance challenges to climate change and supply chain disruptions. The need for proactive risk management is more urgent than ever, and companies are seeking ways to anticipate and address these risks before they cause significant damage.

Moreover, businesses are shifting their focus from reactive solutions to preventive ones, recognizing the importance of taking steps to avoid problems before they arise. This shift is driving demand for subscription-based risk management services, as businesses value the predictability and consistency these models offer for long-term planning. The Markel Risk Advisory Service can also capitalize on its potential for cross-selling, as engaging clients in proactive risk management creates natural opportunities to offer complementary insurance products, such as cyber insurance or business interruption coverage. Additionally, industries like healthcare, finance, and construction, which face ever-changing regulatory requirements, are under increasing pressure to stay compliant. The advisory service will provide these industries with the support needed to better manage their regulatory risks and remain ahead of the curve.

## Financial Opportunity

The Markel Risk Advisory Service presents a significant financial opportunity with strong potential for both short-term profitability and long-term growth. Markel's previous financial performance lays a solid foundation for this new venture. In FY2023, the company demonstrated improved cost efficiency, with operating expenses as a percentage of revenue decreasing to 81.47% from 100.8% in FY2022. This was accompanied by a 35.4% increase in revenue, which demonstrates Markel’s ability to scale its operations effectively. The rise in revenue was primarily driven by higher premium earnings and net investment income, which have provided additional liquidity to support new initiatives like the advisory service.

* **Predictable Revenue and Long-Term Stability:** By adopting a subscription model, Markel can create steady, predictable revenue, reducing reliance on one-time sales and ensuring long-term financial stability. This recurring revenue model is essential for building a consistent cash flow, which will help the company weather any market fluctuations and provide a reliable income stream as the service scales.
* **Cross-Selling and Increased Customer Value:** Clients who engage with the advisory service are more likely to purchase additional insurance products, such as cyber insurance or professional liability, driving further sales and increasing overall lifetime customer value. As the service expands its customer base, these cross-selling opportunities will contribute to higher revenue and stronger customer loyalty.
* **Investment in Technology and Data Tools:** While the initial investment in technology, data tools, and staffing may result in higher upfront costs, the Markel Risk Advisory Service is projected to become cash flow positive within two years as the customer base grows. The combination of recurring revenue and cross-selling opportunities will support long-term profitability, with the service reaching a point of profitability as it builds traction in the market.
* **Competitive Edge and Market Share Expansion:** Over time, the advisory service will complement Markel’s existing insurance offerings, enhancing the company’s competitive edge. By offering a proactive risk management solution, Markel can differentiate itself from competitors, thereby increasing market share and establishing the company as a leader in both insurance and risk management. This unique positioning will help drive long-term growth and profitability as Markel continues to evolve and meet the changing needs of its clients.

## Timeline

The timeline for developing and launching the Markel Risk Advisory Service is designed to ensure a smooth rollout while giving time for proper market testing and refinement:

**Phase 1: Research and Development (3-6 Months)**

* Conduct market research to understand the specific needs of target industries.
* Develop the core risk assessment tools and hire or partner with risk management experts to ensure the service offers high-quality advice and actionable insights.
* Finalize the service model and determine the pricing structure for the subscription-based service.

**Phase 2: Pilot Program (6-12 Months)**

* Launch a pilot program with a select group of clients in high-risk sectors like manufacturing or healthcare.
* Gather feedback on service effectiveness, usability, and potential improvements.
* Train staff and ensure that Markel’s customer service teams are equipped to handle client questions and onboard new subscribers.

**Phase 3: Full Launch (12-18 Months)**

* Expand the service to a wider audience, leveraging existing client relationships and a digital marketing campaign to drive awareness.
* Focus on scaling the service to reach larger organizations while continuing to support smaller businesses.

**Phase 4: Expansion and Scaling (18-24 Months)**

* Evaluate the opportunity for regional and industry-based expansion, adjusting the service offerings as necessary based on client needs and industry trends.

## References

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