

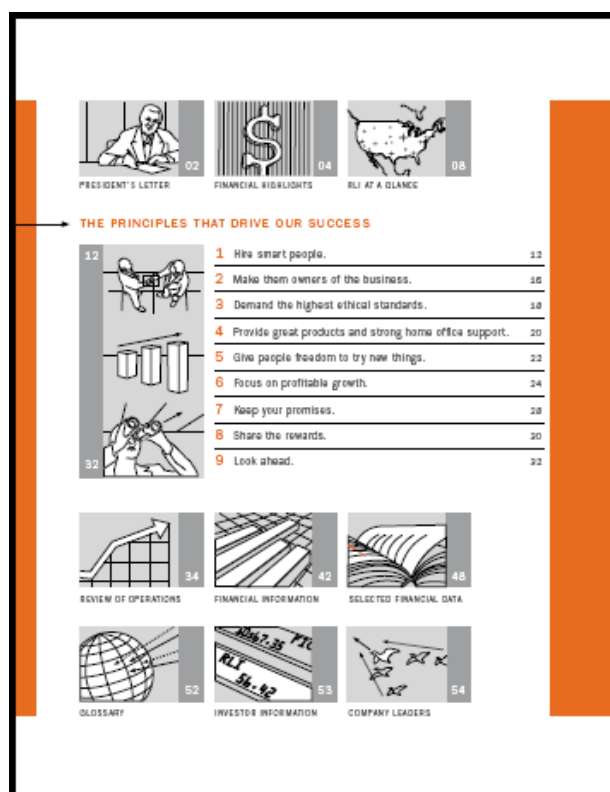
# Report of the Month

ReportWatch e.com

October 2007

## RLI Corp.

Peoria, IL, U.S.A.



## Report Facts

**Company name:** RLI Corp.

**Fiscal year end:** December 31, 2006

**Report title:** *Owners' Manual. The principles that drive our success*

**President and CEO:** Jonathan E. Michael

**Number of books:** 2

**Report length:** 56 + 62 pages

**Auditors:** KPMG LLP

**Design agency:** N/A

**E-mail:** [john\\_robison@rlicorp.com](mailto:john_robison@rlicorp.com)

Report Rating: ★★★★★

(Rating scale below)

**Profile-Mission** (Excerpts, as from the report)  
RLI Corp. is a *specialty property and casualty insurer operating across the U.S. on both an admitted (regulated) and excess and surplus lines (less regulated) basis. Insurance is an industry with nearly \$500 billion in direct written premiums. In 2006, we wrote \$799.0 million of coverage, 91 percent commercial lines, 9 percent personal lines... We develop coverages designed to meet specific needs.*

(p 9 of Summary Annual Report. Italics are own company's words)

<<< Left-column picture: inside front cover.

**Key Figures** (in millions, except per share and ratios)

**Revenue:** US\$ 632.7

**Gross premiums written:** US\$ 799.0

**Net earnings:** US\$ 134.6

**Net earnings per share:** US\$ 5.27

**Total equity:** US\$ 756.5

**Return on equity:** 19.1%

**Debt to capital (total):** 2,771.3

(Source: figures sourced from the annual report)

**Some Competitors**

**St. Paul/Travelers, CNA, AIG, Chubb, SAFECO, ACE...**

## Report Rating: ★★★★★ Strongest

- > We have seen many reports but don't remember one being named *Owners' Manual*. The Illinois-based midcap insurer RLI departs from the report-as-usual routine too much encountered under American skies and in the conservative financial sector. Once again, it strikes hard from the cover on and does it in style. For once it is not the front cover is not featured, not because the solid black doesn't catch the eye, but because the inside cover picks up on it, launch an icon-based thread that both sustains the theme and is finely mastered across the book.
- > *Visual Review of Operations* introduced with seven charts (see selected page).
- > Shareholder (return) orientation more substantiated than in hundreds of U.S. large-cap annuals.
- > Solid CEO's message backed with investor-driven charts and financial highlights.

## Stronger

- > *If you are reading this report, chances are you are an owner or future owner of RLI* is the first sentence written on the very first page, reminding why an owner's manual is most welcome.
- > Matter-of-fact overview of products, customers, distribution channels, 5-year combined ratio, and competitors.
- > *Selected Financial Data* supplemented with *Selected Financial Graphs* (see selected page).

## Good too

- > Glossary. Investor information. Details about *Company Leaders*.

## River Blues?

- > Nothing's perfect. Getting hold of a printed version -yes, much more effective for the look and feel than any PDF download, even for an "owner's manual"!- seemed to be mission impossible for those living (much) farther than the Illinois river and the outskirts of Chicago. Aren't foreign investors -or just report watchers- welcome?
  - > The second book, which constitutes the core *Financial Report* lags behind the *Summary* -and best practice- in terms of financial clearness (zero chart), risk management and ratios (one single on historical basis).
- So it is more the *Summary Report* that is here rated as **Excellent**, while the overall would be rated **Fine**.

### Rating Scale

★★★★★: World-class ★★★★★(★): First-rate ★★★★★: Excellent ★★★(★): Fine ★★\*: Average  
★\*(★): Uneven ★\*: Ordinary ★(★): Deficient ★: Unsatisfactory (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment.

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*How does the company report in key areas? What are the main report pluses and minuses?  
The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

*Contact [e.com@reportwatch.net](mailto:e.com@reportwatch.net)*

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# Selected Pages (p 38 and p 50 of RLI Corp. Summary Annual Report 2006)

## VISUAL REVIEW OF OPERATIONS

### BOOK VALUE AND STOCK PRICE GROWTH

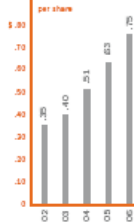
Over the last five years, book value has grown 66 percent and our stock price has risen 103 percent.



Stock price ■  
Book value ■

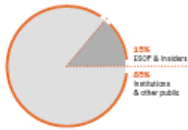
### DIVIDENDS PER SHARE

RLI has paid and increased dividends for 31 straight years.



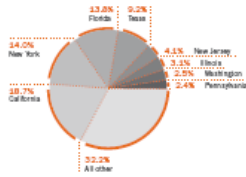
### INSIDER OWNERSHIP

Fifteen percent of RLI stock is owned by 724 RLI associates and other insiders.



### PREMIUM BY STATE

RLI operates in every state. Here are the top eight.

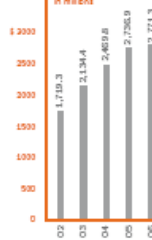


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## SELECTED FINANCIAL GRAPHS

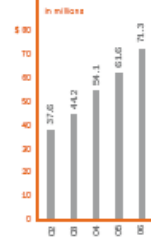
### TOTAL ASSETS

RLI's total assets have expanded by 61 percent over the last five years.



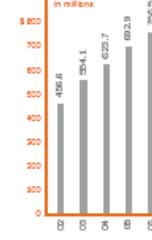
### INVESTMENT INCOME

Strong cash flows have driven consistent investment income growth.



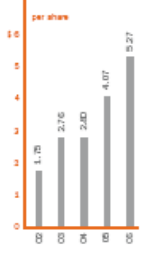
### SHAREHOLDERS' EQUITY

We have created an 11 percent compound annual growth rate in shareholders' equity over the last five years.



### NET EARNINGS PER SHARE

Each share of RLI stock has returned \$6.62 of diluted earnings over the last five years.



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