NEWS RELEASE

# RLI Reports First Quarter 2022 Results

4/20/2022

PEORIA, Ill.--(BUSINESS WIRE)-- RLI Corp. (NYSE: RLI) – RLI Corp. reported first quarter 2022 net earnings of $47.9 million ($1.05 per share), compared to $73.0 million ($1.60 per share) for the first quarter of 2021. Operating earnings(1) for the first quarter of 2022 were $65.5 million ($1.43 per share), compared to $39.6 million ($0.87 per share) for the same period in 2021.

| | First Quarter | |
|---|---|---|
| Earnings Per Diluted Share | 2022 | 2021 |
| Net earnings | $ 1.05 | $ 1.60 |
| Operating earnings (1) | $ 1.43 | $ 0.87 |

(1) See discussion below: Non-GAAP and Performance Measures.

Highlights for the quarter included:

- Underwriting income(1) of $59.5 million on a combined ratio(1) of 77.9.
- 22% increase in gross premiums written.
- 9% increase in net investment income.
- Favorable development in prior years' loss reserves, resulting in a $39.6 million net increase in underwriting income.
- Book value per share of $25.45, a decrease of 5% (inclusive of dividends) from year-end 2021.

"We started the year with positive momentum, achieving a 22% increase in gross premiums written and an excellent 78 combined ratio," said RLI Corp. President & CEO Craig Kliethermes. "All three product segments were

solid contributors in the quarter, as market conditions continue to be favorable. Strong underwriting and investment income produced operating earnings of $1.43 per share. However, these positive earnings were offset by negative portfolio returns in the quarter, resulting in a decline in book value of 5%, inclusive of dividends."

"We believe serving our customers through tailored products, superior service and financial stability is critically important in all markets. Our exceptional underwriting discipline delivered again this quarter and I want to thank our associates for a remarkable start to the year."

## Underwriting Income

RLI achieved $59.5 million of underwriting income in the first quarter of 2022 on a 77.9 combined ratio, compared to $29.9 million on an 86.9 combined ratio in 2021.

Results for both years include favorable development in prior years' loss reserves, which resulted in a $39.6 million and $31.4 million net increase to underwriting income for 2022 and 2021, respectively.

The following table highlights underwriting income and combined ratios by segment.

---

Underwriting Income (Loss)(1)

| (in millions) | 2022 | 2021 |
|---|---|---|
| Casualty | $ 27.6 | $ 24.9 |
| Property | 22.5 | (1.0) |
| Surety | 9.4 | 6.0 |
| Total | $ 59.5 | $ 29.9 |

Combined Ratio(1)

| | 2022 | 2021 |
|---|---|---|
| Casualty | 83.9 | 83.3 |
| Property | 66.7 | 101.9 |
| Surety | 68.8 | 78.5 |
| Total | 77.9 | 86.9 |

(1) See discussion below: Non-GAAP and Performance Measures.

## Other Income

Net investment income for the quarter increased 8.9% to $17.9 million, compared to the same period in 2021. The investment portfolio's total return was -4.7% for the quarter.

RLI's comprehensive loss was $67.7 million for the quarter (-$1.48 per share), compared to $28.3 million ($0.62 per share) of comprehensive earnings for the same quarter in 2021. In addition to net earnings, comprehensive loss included after-tax unrealized losses from the fixed income portfolio, due to rising interest rates.

Equity in earnings of Maui Jim, Inc. (Maui Jim), a producer of premium sunglasses, was $6.4 million for the quarter. Equity in earnings of Prime Holdings Insurance Services, Inc. (Prime), a specialty insurance company, was $2.8 million. Comparatively, for the first quarter of 2021, equity in earnings of unconsolidated investees from Maui Jim

and Prime was $3.7 million and $3.7 million, respectively.

## Dividends Paid in First Quarter of 2022

On March 18, 2022, the company paid a regular quarterly dividend of $0.25 per share, the same amount as the prior quarter. RLI's cumulative dividends total more than $508 million paid over the last five years.

## Non-GAAP and Performance Measures

Management has included certain non-generally accepted accounting principles (non-GAAP) financial measures in presenting the company's results. Management believes that these non-GAAP measures further explain the company's results of operations and allow for a more complete understanding of the underlying trends in the company's business. These measures should not be viewed as a substitute for those determined in accordance with generally accepted accounting principles (GAAP). In addition, our definitions of these items may not be comparable to the definitions used by other companies.

Operating earnings and earnings per share (EPS) from operations consist of our GAAP net earnings adjusted by the net realized gains/(losses), net unrealized gains/(losses) on equity securities and taxes related thereto. Net earnings and net earnings per share are the GAAP financial measures that are most directly comparable to operating earnings and EPS from operations. A reconciliation of the operating earnings and EPS from operations to the comparable GAAP financial measures is included in the 2022 financial highlights below.

Underwriting income or profit represents the pretax profitability of our insurance operations and is derived by subtracting loss and settlement expenses, policy acquisition costs and insurance operating expenses from net premium earned, which are all GAAP financial measures. The combined ratio, which is derived from components of underwriting income, is a performance measure commonly used by property and casualty insurance companies and is calculated as the sum of loss and settlement expenses, policy acquisition costs and insurance operating expenses, divided by net premiums earned, which are all GAAP measures.

## Other News

On March 14, 2022, RLI Corp. announced that it has agreed to sell its minority interest in Maui Jim, Inc. RLI's net after-tax purchase price proceeds from the sale will be approximately $500 million, with the final proceeds to be determined at closing, based on adjustments to the purchase price for working capital and other items.

"A successful completion of the sale will result in capital generated to RLI's benefit," said RLI Corp. President & CEO Craig Kliethermes. "As always, our top priority is to ensure we have adequate capital to support our business.

However, we have demonstrated discipline in returning capital to shareholders if it exceeds our near-term needs."

For additional information, please refer to the Form 8-K filed on March 14, 2022 by RLI Corp.

At 10 a.m. central daylight time (CDT) tomorrow, April 21, 2022, RLI management will hold a conference call to discuss quarterly results with insurance industry analysts. Interested parties may listen to the discussion at **https://events.q4inc.com/attendee/906207740**.

Except for historical information, this news release may include forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) including, without limitation, statements reflecting our current expectations about the future performance of our company or our business segments or about future market conditions. These statements are subject to certain risk factors that could cause actual results to differ materially. Various risk factors that could affect future results are listed in the company's filings with the Securities and Exchange Commission, including the Form 10-K Annual Report for the year ended December 31, 2021.

## About RLI

RLI Corp. (NYSE: RLI) is a specialty insurer serving niche property, casualty and surety markets. The company provides deep underwriting expertise and superior service to commercial and personal lines customers nationwide. RLI's products are offered through its insurance subsidiaries – RLI Insurance Company, Mt. Hawley Insurance Company and Contractors Bonding and Insurance Company. All of RLI's insurance subsidiaries are rated A+ (Superior) by AM Best Company. RLI has paid and increased regular dividends for 46 consecutive years and delivered underwriting profits for 26 consecutive years. To learn more about RLI, visit **www.rlicorp.com**.

Supplemental disclosure regarding the earnings impact of specific items:

---

Reserve Development and Catastrophe Losses, Net of Reinsurance

| (Dollars in millions, except per share amounts) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| Favorable development in casualty prior years' reserves | $ 27.8 | $ 28.2 |
| Favorable development in property prior years' reserves | $ 13.2 | $ 6.1 |
| Favorable development in surety prior years' reserves | $ 4.5 | $ 2.8 |
| Net incurred losses related to: | | |
| 2022 storms | $ (2.0) | $ - |
| 2021 and prior events | $ - | $ (16.0) |

Operating Earnings Per Share

Three Months Ended March 31,

| | 2022 | 2021 |
|---|---|---|
| Operating Earnings Per Share(1) | $ 1.43 | $ 0.87 |
| Specific items included in operating earnings per share: (2) (3) | | |
| Net favorable development in casualty prior years' reserves | $ 0.41 | $ 0.44 |
| Net favorable development in property prior years' reserves | $ 0.21 | $ 0.08 |
| Net favorable development in surety prior years' reserves | $ 0.06 | $ 0.03 |
| Net incurred losses related to: | | |
| 2022 storms | $ (0.03) | $ - |
| 2021 and prior events | $ - | $ (0.24) |

(1) See discussion above: Non-GAAP and Performance Measures.

(2) Includes incentive and profit sharing-related impacts which affected policy acquisition, insurance operating and general corporate expenses.

(3) Reserve development reflects changes from previously estimated losses.

RLI CORP
2022 FINANCIAL HIGHLIGHTS
(Unaudited)
(Dollars in thousands, except per share amounts)

| | Three Months Ended March 31, | | |
|---|---|---|---|
| SUMMARIZED INCOME STATEMENT DATA: | 2022 | 2021 | % Change |
| Net premiums earned | $ 269,152 | $ 228,595 | 17.7 % |
| Net investment income | 17,883 | 16,424 | 8.9 % |
| Net realized gains | 5,588 | 14,150 | (60.5) % |
| Net unrealized gains (losses) on equity securities | (27,810) | 28,162 | NM |
| Consolidated revenue | $ 264,813 | $ 287,331 | (7.8) % |
| Loss and settlement expenses | 105,524 | 104,892 | 0.6 % |
| Policy acquisition costs | 85,287 | 74,990 | 13.7 % |
| Insurance operating expenses | 18,863 | 18,796 | 0.4 % |
| Interest expense on debt | 2,010 | 1,901 | 5.7 % |
| General corporate expenses | 3,363 | 3,342 | 0.6 % |
| Total expenses | $ 215,047 | $ 203,921 | 5.5 % |
| Equity in earnings of unconsolidated investees | 8,759 | 6,424 | 36.3 % |
| Earnings before income taxes | $ 58,525 | $ 89,834 | (34.9) % |
| Income tax expense | 10,602 | 16,822 | (37.0) % |
| Net earnings | $ 47,923 | $ 73,012 | (34.4) % |
| Other comprehensive earnings (loss), net of tax | (115,581) | (44,747) | 158.3 % |
| Comprehensive earnings (loss) | $ (67,658) | $ 28,265 | NM |
| Operating earnings(1): | | | |
| Net earnings | $ 47,923 | $ 73,012 | (34.4) % |
| Less: | | | |
| Realized gains | (5,588) | (14,150) | (60.5) % |
| Income tax on realized gains | 1,173 | 2,972 | (60.5) % |
| Unrealized (gains) losses on equity securities | 27,810 | (28,162) | NM |
| Income tax on unrealized gains (losses) on equity securities | (5,840) | 5,914 | NM |
| Operating earnings | $ 65,478 | $ 39,586 | 65.4 % |
| Return on Equity: | | | |
| Net earnings | 21.1 % | 27.2 % | |
| Comprehensive earnings | 10.3 % | 29.5 % | |
| Per Share Data: | | | |
| Diluted: | | | |
| Weighted average shares outstanding (in 000's) | 45,714 | 45,674 | |

| | | | |
|---|---|---|---|
| Net earnings per share | $ 1.05 | $ 1.60 | (34.4) % |
| Less: | | | |
| Realized gains | (0.12) | (0.31) | (61.3) % |
| Income tax on realized gains | 0.03 | 0.07 | (57.1) % |
| Unrealized (gains) losses on equity securities | 0.60 | (0.62) | NM |
| Income tax on unrealized gains (losses) on equity securities | (0.13) | 0.13 | NM |
| EPS from operations(1) | $ 1.43 | $ 0.87 | 64.4 % |
| Comprehensive earnings per share | $ (1.48) | $ 0.62 | NM |
| Cash dividends per share - ordinary | $ 0.25 | $ 0.24 | 4.2 % |
| Net Cash Flow provided by Operations | $ 39,014 | $ 60,287 | (35.3) % |

(1) See discussion above: Non-GAAP and Performance Measures.
NM = Not Meaningful

RLI CORP
2022 FINANCIAL HIGHLIGHTS
(Unaudited)
(Dollars in thousands, except per share amounts)

| | March 31, 2022 | December 31, 2021 | % Change |
|---|---|---|---|
| SUMMARIZED BALANCE SHEET DATA: | | | |
| Fixed income, at fair value | $ 2,292,378 | $ 2,409,887 | (4.9) % |
| (amortized cost - $2,374,256 at 3/31/22) | | | |
| (amortized cost - $2,346,267 at 12/31/21) | | | |
| Equity securities, at fair value | 608,180 | 613,776 | (0.9) % |
| (cost - $347,354 at 3/31/22) | | | |
| (cost - $324,501 at 12/31/21) | | | |
| Other invested assets | 52,406 | 50,501 | 3.8 % |
| Cash and cash equivalents | 72,148 | 88,804 | (18.8) % |
| Total investments and cash | $ 3,025,112 | $ 3,162,968 | (4.4) % |
| Premiums and reinsurance balances receivable | 170,501 | 167,279 | 1.9 % |
| Ceded unearned premiums | 126,311 | 130,916 | (3.5) % |
| Reinsurance balances recoverable on unpaid losses | 631,445 | 608,086 | 3.8 % |
| Deferred policy acquisition costs | 112,004 | 103,553 | 8.2 % |
| Property and equipment | 52,124 | 52,161 | (0.1) % |
| Investment in unconsolidated investees | 179,351 | 171,311 | 4.7 % |
| Goodwill and intangibles | 53,562 | 53,562 | 0.0 % |
| Other assets | 57,225 | 58,466 | (2.1) % |
| Total assets | $ 4,407,635 | $ 4,508,302 | (2.2) % |
| Unpaid losses and settlement expenses | $ 2,081,712 | $ 2,043,555 | 1.9 % |
| Unearned premiums | 696,577 | 680,444 | 2.4 % |
| Reinsurance balances payable | 26,264 | 42,851 | (38.7) % |
| Funds held | 89,735 | 89,773 | (0.0) % |
| Income taxes - deferred | 47,412 | 83,509 | (43.2) % |
| Long-term debt | 199,723 | 199,676 | 0.0 % |
| Accrued expenses | 57,101 | 98,274 | (41.9) % |
| Other liabilities | 55,689 | 40,859 | 36.3 % |
| Total liabilities | $ 3,254,213 | $ 3,278,941 | (0.8) % |
| Shareholders' equity | 1,153,422 | 1,229,361 | (6.2) % |
| Total liabilities & shareholders' equity | $ 4,407,635 | $ 4,508,302 | (2.2) % |
| OTHER DATA: | | | |
| Common shares outstanding (in 000's) | 45,316 | 45,289 | |
| Book value per share | $ 25.45 | $ 27.14 | (6.2) % |
| Closing stock price per share | $ 110.63 | $ 112.10 | (1.3) % |
| Statutory surplus | $ 1,261,620 | $ 1,240,649 | 1.7 % |

2022 FINANCIAL HIGHLIGHTS
UNDERWRITING SEGMENT DATA
(Unaudited)
(Dollars in thousands, except per share amounts)

Three Months Ended March 31,

| | Casualty | GAAP Ratios | Property | GAAP Ratios | Surety | GAAP Ratios | Total | GAAP Ratios |
|---|---|---|---|---|---|---|---|---|
| 2022 | | | | | | | | |
| Gross premiums written | $ 215,821 | | $ 109,598 | | $ 33,740 | | $ 359,159 | |
| Net premiums written | 175,613 | | 81,995 | | 32,282 | | 289,890 | |
| Net premiums earned | 171,756 | | 67,440 | | 29,956 | | 269,152 | |
| Net loss & settlement expenses | 83,849 | 48.8 % | 20,363 | 30.2 % | 1,312 | 4.4 % | 105,524 | 39.2 % |
| Net operating expenses | 60,260 | 35.1 % | 24,601 | 36.5 % | 19,289 | 64.4 % | 104,150 | 38.7 % |
| Underwriting income (loss)(1) | $ 27,647 | 83.9 % | $ 22,476 | 66.7 % | $ 9,355 | 68.8 % | $ 59,478 | 77.9 % |
| 2021 | | | | | | | | |
| Gross premiums written | $ 188,896 | | $ 74,537 | | $ 31,462 | | $ 294,895 | |
| Net premiums written | 148,891 | | 55,986 | | 30,112 | | 234,989 | |
| Net premiums earned | 148,770 | | 51,642 | | 28,183 | | 228,595 | |
| Net loss & settlement expenses | 70,247 | 47.2 % | 31,637 | 61.3 % | 3,008 | 10.7 % | 104,892 | 45.9 % |
| Net operating expenses | 53,656 | 36.1 % | 21,010 | 40.6 % | 19,120 | 67.8 % | 93,786 | 41.0 % |
| Underwriting income (loss)(1) | $ 24,867 | 83.3 % | $ (1,005) | 101.9 % | $ 6,055 | 78.5 % | $ 29,917 | 86.9 % |

(1) See discussion above: Non-GAAP and Performance Measures.

Category: Earnings Release

View source version on **businesswire.com**: **https://www.businesswire.com/news/home/20220420005845/en/**

Aaron Diefenthaler

Chief Investment Officer & Treasurer

309-693-5846

**Aaron.Diefenthaler@rlicorp.com**

Source: RLI Corp.