



# RLI INVESTOR PRESENTATION

Quarter 2, 2022





# INTRODUCTION

**RLI**<sup>®</sup>  
DIFFERENT WORKS



# STRATEGY

From our niche product offerings to our business model, our culture to our results — we're different. We will continue to:



Be a premier specialty underwriting company that achieves long-term industry leading combined ratios and book value growth.



Seek out difficult markets while maintaining a highly diverse product portfolio.



Remain a destination for talented, entrepreneurial underwriters with 'narrow & deep' expertise.



Emphasize profit maximization and enhance our ability to grow over the long term, with a focus on organic opportunities and acquisitions that preserve the unique culture that has made RLI successful.

# FINANCIAL STRENGTH AND STABILITY

Our financial track record has been stellar for decades — a testament to our culture and reputation as an excellent underwriting company.



**WARD'S  
50 TOP**  
P&C PERFORMER  
FOR 32 YEARS

**4.7/5**  
STARS ON  
**glassdoor**

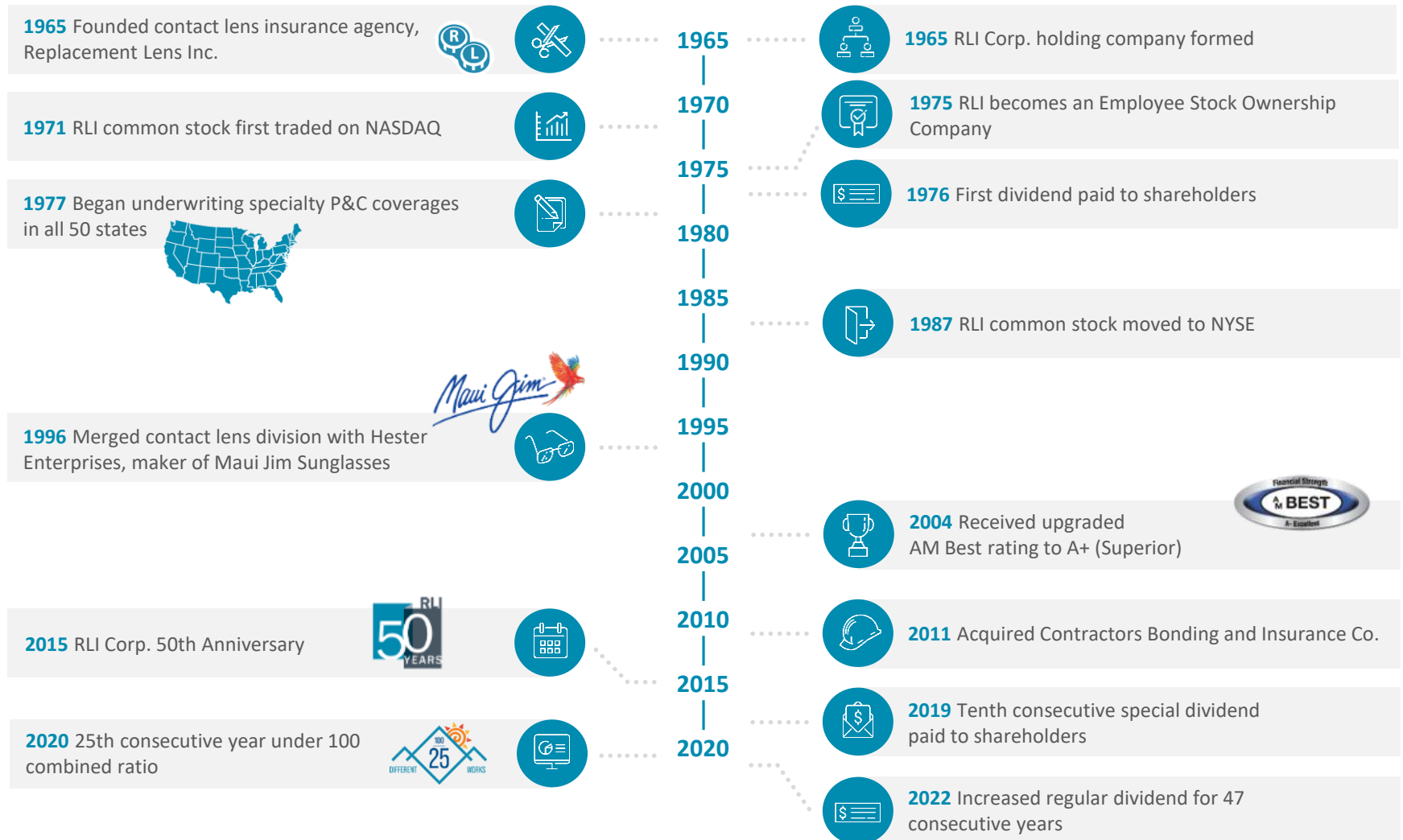
# SELECT MARKET INFORMATION

RLI has a rich history as a publicly traded company and consistently creates value for its shareholders.

Ticker / Exchange	RLI / NYSE
Share Price (as of 6/30/2022)	<b>\$116.59</b>
Annual Dividend / Yield (as of 6/30/2022)	<b>\$1.04 / 0.9%</b>
Market Cap	<b>\$5.29 billion</b>
Annual Gross Premium (Trailing 4 qtr.)	<b>\$1,471 million</b>
Employees	<b>934</b>
20 Year Annual Shareholder Return	<b>16.2%</b>

# THE RLI STORY

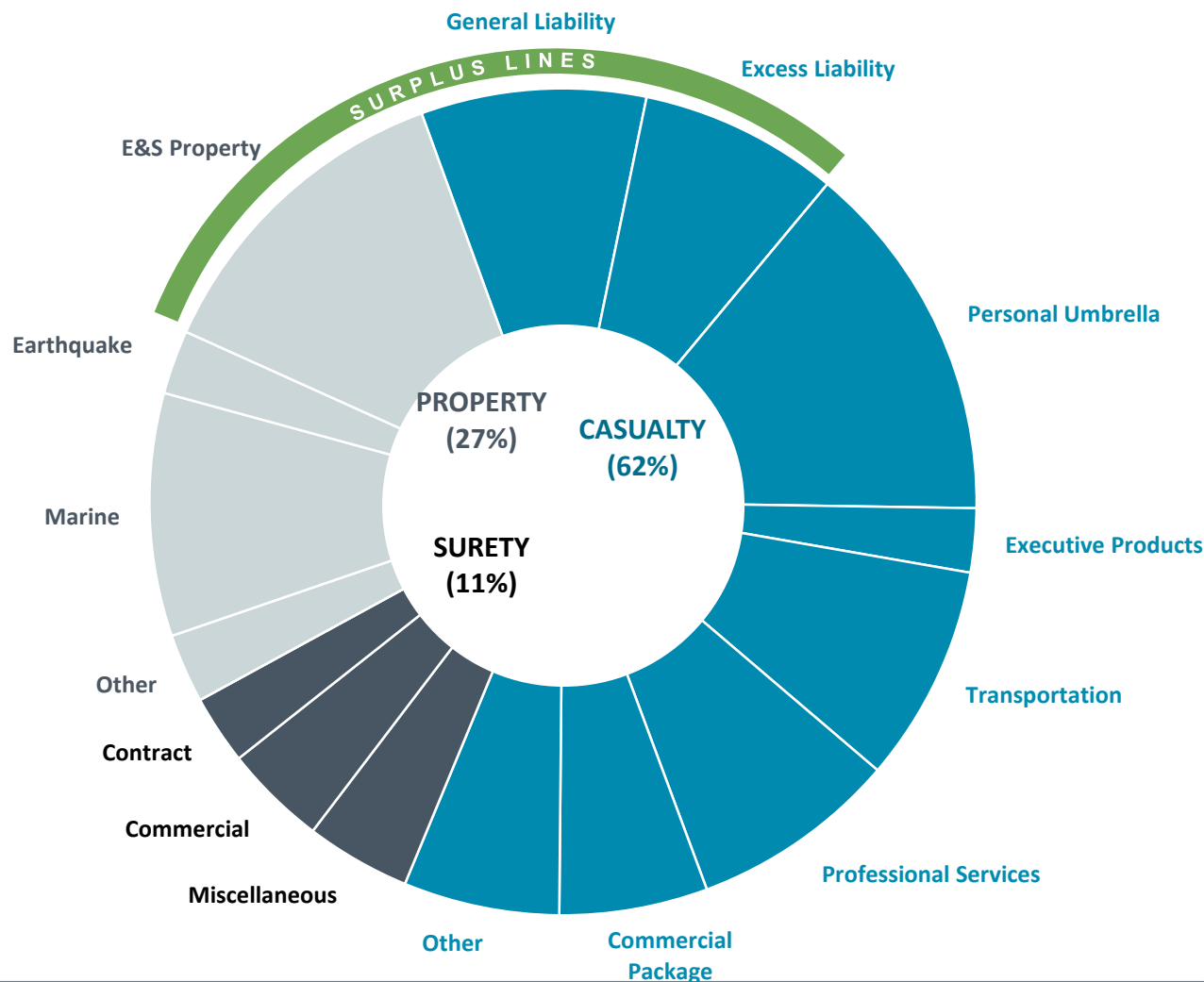
RLI is a specialty insurance company with more than 50 years of experience serving diverse niche, property, casualty and surety markets.





# DIVERSIFIED PRODUCT PORTFOLIO – NET PREMIUM

Product diversification has fueled our growth & financial success.



# PRODUCT DISTRIBUTION

Our strong customer relationships extend across a diverse distribution network.

	Retail agent / broker	Wholesale Broker	General agency
CASUALTY	General liability	•	
	Excess liability	•	
	Personal umbrella		•
	Transportation	•	
	Executive products	•	
	Professional services	•	
	Commercial package	•	
PROPERTY	E&S property & Earthquake	•	
	Marine	•	
	Personal Lines		•
SURETY	Miscellaneous	•	
	Energy	•	
	Commercial	•	
	Contract	•	



# STRATEGY

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DIFFERENT WORKS



# RLI'S BUSINESS MODEL

RLI is a domestic, specialty insurance company that does its own underwriting.



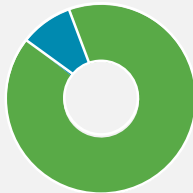
## Underwriting Company

- We hire experienced, entrepreneurial underwriters
- We focus on difficult markets that require unique expertise
- Strong feedback loop between underwriting and claims



## Ownership Culture & Compensation

- Underwriter compensation is tied directly to underwriting profit



- 91% Institutions & other public
- 9% Insiders & ESOP



## Diversified Insurance Product Portfolio

- Our products are run as stand-alone businesses
- Diversification reduces corporate risk
- Products are convenient and tailored to fill a void in the market



## Growth by Design

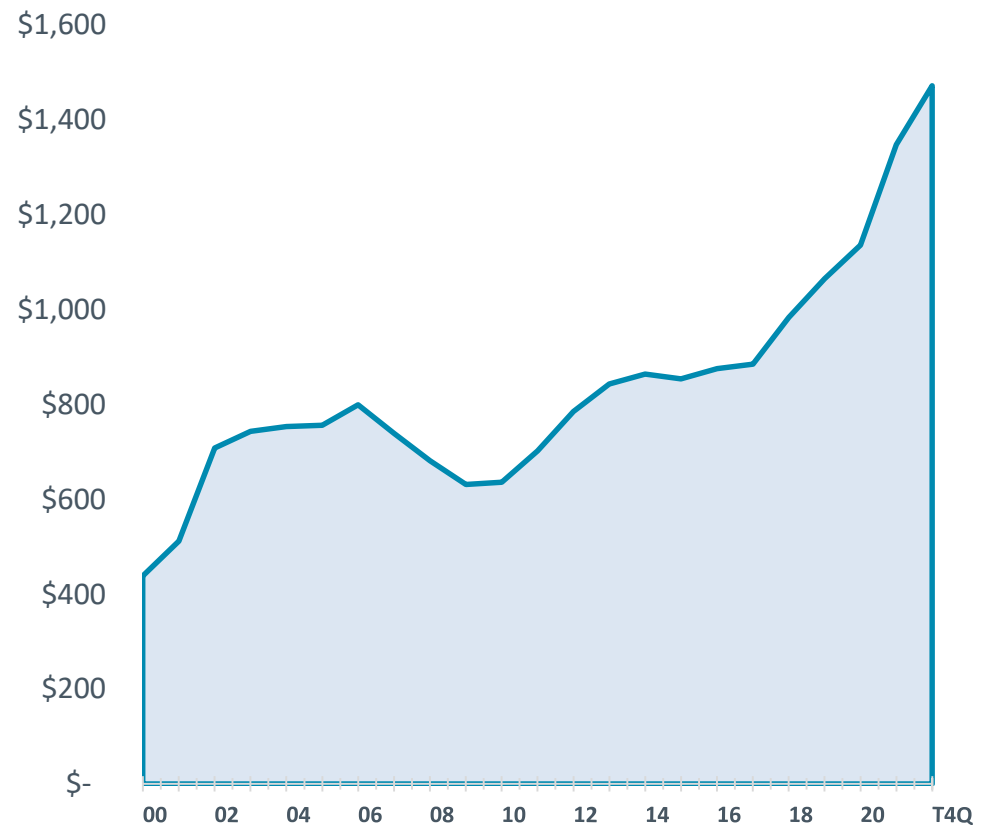
- Organic product growth
- Talent acquisition & start-ups
- Select balance sheet acquisitions

# MARKET CYCLE MANAGEMENT

RLI's strong people, products & processes allow us to effectively manage through any kind of market.

- **INVEST** in new people, products & processes in all markets
- **EMPOWER** underwriters to capitalize to the fullest during hard markets and pull back when necessary during soft markets
- **ENFORCE** strict underwriting discipline throughout
- **MAXIMIZE** financial strength & flexibility

Gross Premium  
(\$ millions)



# Environmental, Social & Governance Principles

We are committed to integrating sound Environmental, Social and Governance (“ESG”) principles into our business, and our approach to sustainability reflects our focus on doing the right thing – for our customers, our employees, our communities and the environment.



## People

- We strive to create a diverse and inclusive environment where employees are supported, engaged, empowered and rewarded.
- We foster our ownership culture by providing competitive Total Rewards and offering diverse professional development, training, mentoring and educational opportunities.



## Community

- We are dedicated to supporting the communities in which we live and work.
- Through charitable gifts, educational scholarships, community service and volunteer programs, we’re using our resources and talents to strengthen our communities and the nonprofit organizations that serve them.



## Environmental Stewardship

- We are committed to integrating sound resource conservation practices into our business to reduce our footprint and continue our long history of environmental stewardship.
- Located on six and a half acres, RLI’s 1.8-megawatt solar field produces annual electrical power equal to or exceeding the Company’s annual electrical needs for its Corporate headquarters campus in Peoria, Illinois, which houses over 40 percent of RLI’s total workforce.



## Governance

- Our Board of Directors adheres to best practices in corporate governance to fulfill its responsibilities to shareholders and oversee management and the company’s business results.
- We hold ourselves to high standards of ethical conduct and have a long history of strong corporate governance.

For more information on our sustainability work visit: [rlicorp.com/sustainability](https://rlicorp.com/sustainability)



# FINANCIAL RESULTS

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# MEASUREMENTS OF OUR SUCCESS

Combined Ratio	Book Value Growth <sup>(2)</sup>	Operating Return on Equity <sup>(2)</sup>	Capital Management	Reserve Consistency
<b>26</b> consecutive years under 100 combined ratio <sup>(1)</sup>	<b>17.2%</b> average annual growth in book value per share (including dividends)	<b>12.2%</b> average OROE	<b>47</b> consecutive years of increased dividends (May 2022)	<b>\$460 million</b> reserve releases since 2017
<b>11</b> margin (points) by which we beat the industry <sup>(2)</sup>			<b>\$529 million</b> amount returned to shareholders since 2017	

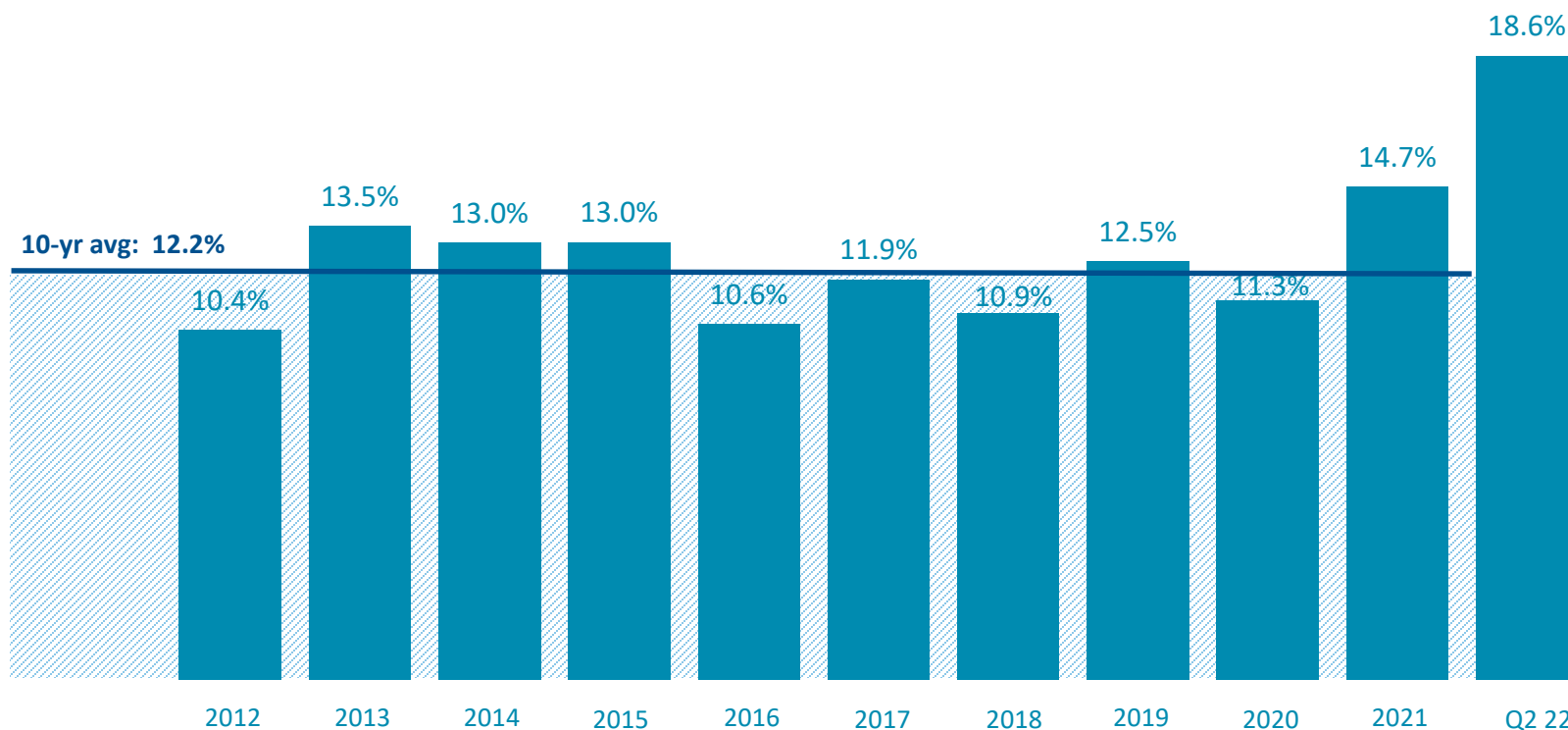
# UNDERWRITING PROFIT

RLI has achieved 26 straight years of a combined ratio below 100, and has beaten the industry ratio by an average of 11 points\* over the last 10 years



# OPERATING RETURN ON EQUITY

RLI has averaged a 12.2% return on equity over the past 10 years.



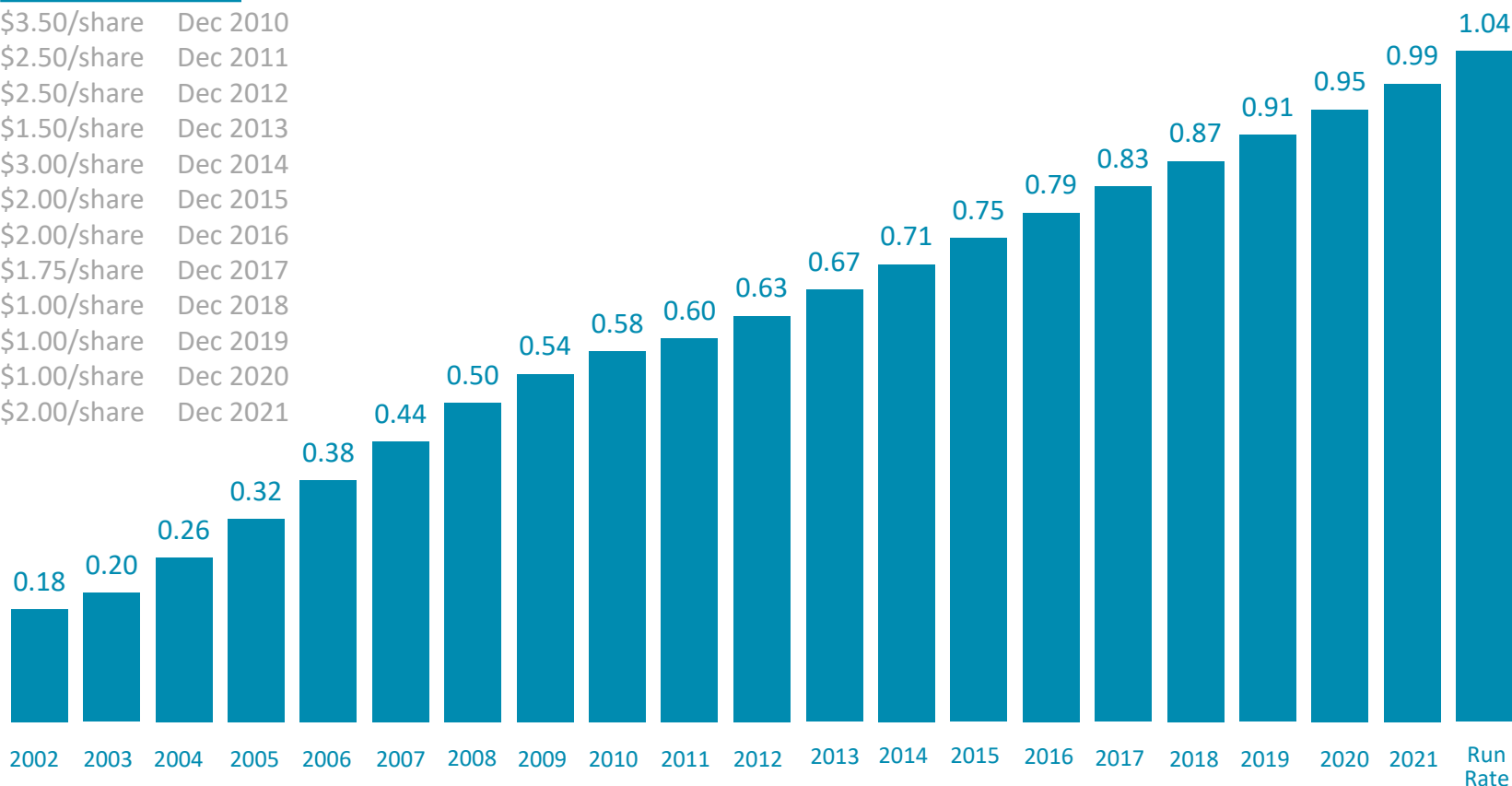
\*Operating earnings is a non-GAAP financial measure and consists of our GAAP net earnings adjusted by net realized gains/(losses), net unrealized gains/(losses) on equity securities that are recognized through net earnings in 2018 and forward and taxes related thereto. Net earnings is the most directly comparable financial measure to operating earnings. See our quarterly earnings releases for a reconciliation of net earnings to operating earnings.

# DIVIDEND GROWTH

RLI has a distinguished track record of success: 47 straight years of dividend increases\* and a 5.0% growth rate over the last 10 years

## SPECIAL DIVIDENDS

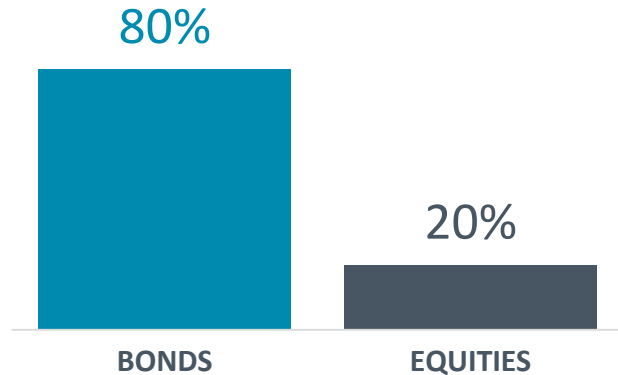
\$3.50/share Dec 2010  
 \$2.50/share Dec 2011  
 \$2.50/share Dec 2012  
 \$1.50/share Dec 2013  
 \$3.00/share Dec 2014  
 \$2.00/share Dec 2015  
 \$2.00/share Dec 2016  
 \$1.75/share Dec 2017  
 \$1.00/share Dec 2018  
 \$1.00/share Dec 2019  
 \$1.00/share Dec 2020  
 \$2.00/share Dec 2021



# INVESTMENT PORTFOLIO

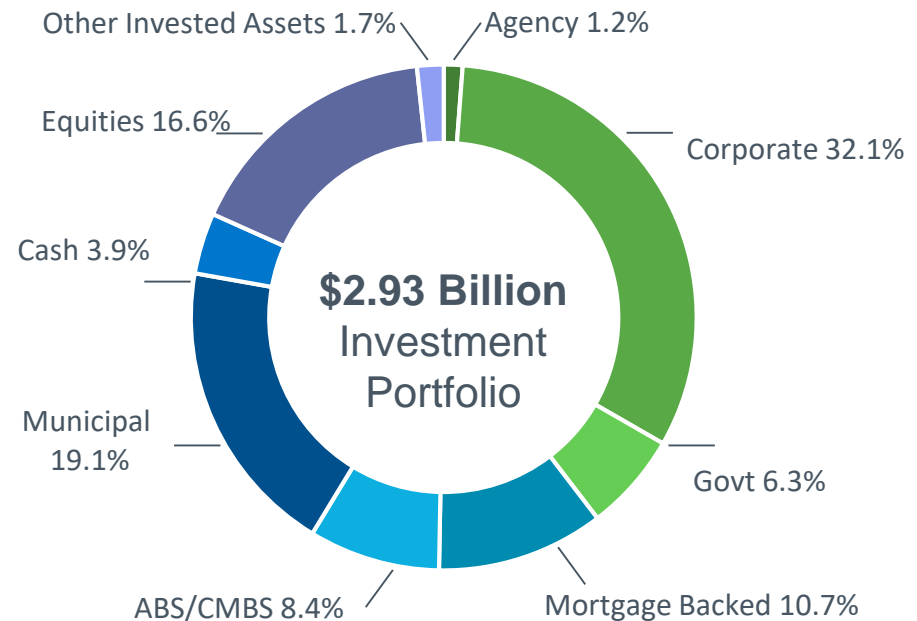
Investing for the long term: A diversified, highly-rated bond portfolio complemented by active and passive equities.

## TARGET ASSET ALLOCATION



- **BONDS:** AA- quality; 5.1 duration
- **EQUITIES:** ETFs and active large-cap; dividend yield of 2.1%
- Emphasis on consistency of income and low turnover, not market timing

## PORTFOLIO ALLOCATION (as of 6/30/2022)





# MAUI JIM SUNGLASSES

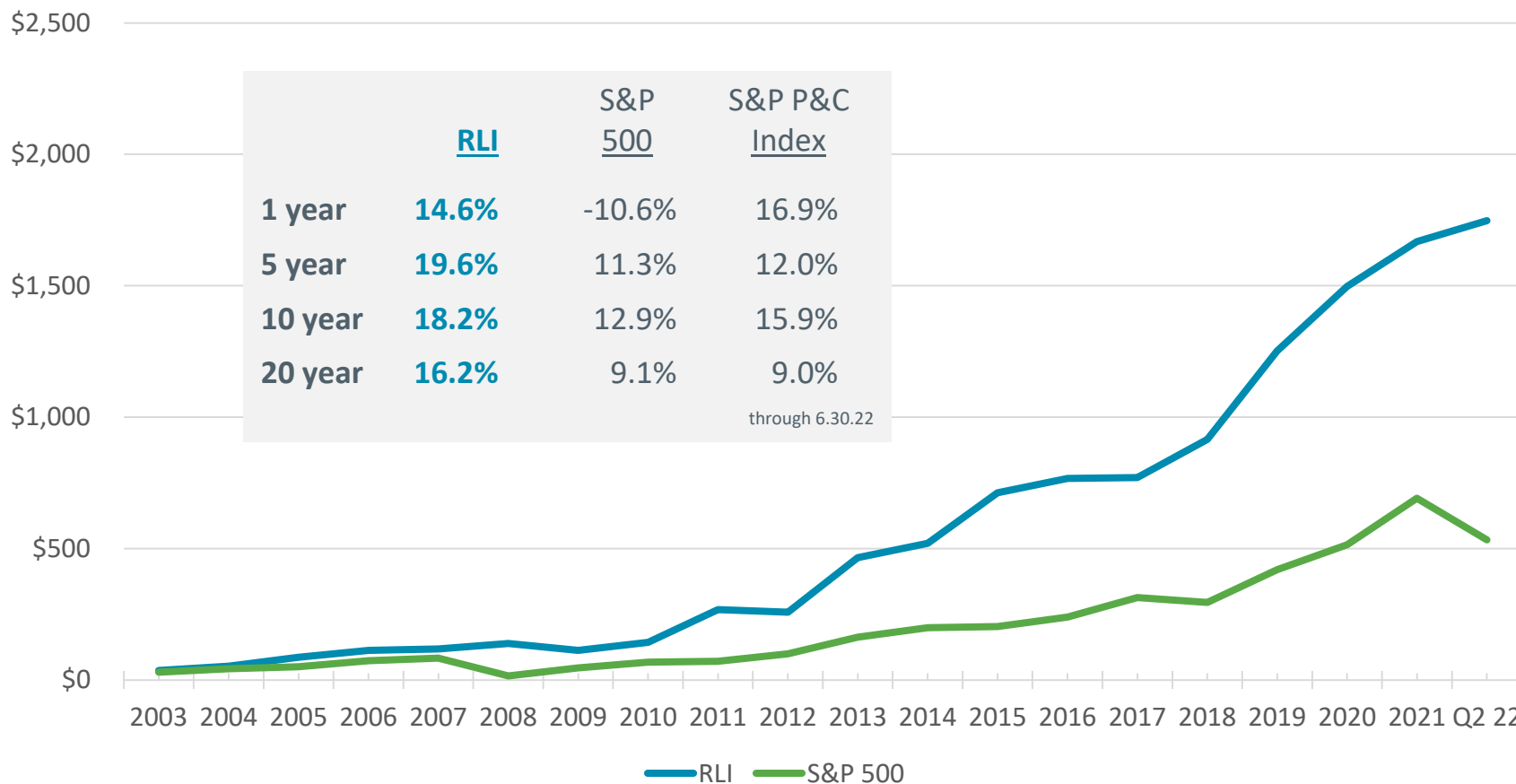
- Maui Jim is an industry leader in the high-end global sunglass market
- A unique private-equity investment from RLI's legacy in the contact lens insurance business
- RLI Corp. owns 40%; carried at \$127.4 million at 6/30/22



In March 2022 RLI agreed to sell its minority interest in Maui Jim, Inc. Net after-tax proceeds are expected to be approximately \$500 million and subject to certain adjustments at closing. The completion of the sale is anticipated in the second half of 2022.

# TOTAL SHAREHOLDER RETURN

Shareholder returns validate the RLI story.



# THE FUTURE

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# VALUE CREATION OPPORTUNITIES

RLI is pursuing multiple initiatives designed to create value.

## **Cycle management**

- Maximize margins throughout the cycle, organic growth enriched by market conditions

## **Platform enhancements**

- Investing in technology to leverage distribution and increase efficiency

## **Talent acquisition**

- Growth supported by hiring the best underwriters into the RLI model

## **Acquisitions of niche P&C companies**

- Capitalize on opportunities in niche spaces

# COMPETITIVE ADVANTAGES

RLI will capitalize on its competitive advantages to drive profitable growth.

Capital strength

Underwriting expertise

Ownership mentality &  
aligned compensation

Product & distribution  
diversification

Leverageable infrastructure  
to support existing and  
new product growth

A reputation for excellence  
among customers built  
over many years

A track record that attracts  
opportunity – ‘nothing  
succeeds like success’



# SELECTED FINANCIAL DATA

(Amounts in millions)

OPERATING RESULTS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2 22
Gross premiums written	784.8	843.2	863.8	853.6	874.9	885.3	983.2	1,065.0	1,136.4	1,347.4	777.9
Consolidated revenue	660.8	705.6	775.2	794.6	816.3	797.2	818.1	1,003.6	983.6	1,179.2	477.9
Net earnings	103.3	126.3	135.4	137.5	114.9	105.0	64.2	191.6	157.1	279.4	45.7
Comprehensive earnings (loss)	129.2	119.1	170.8	89.9	113.8	140.3	30.2	258.7	213.3	220.5	(167.5)

FINANCIAL CONDITION	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2 22
Total investments	1,840.9	1,922.1	1,964.3	1,951.5	2,021.8	2,140.8	2,194.2	2,560.4	2,837.1	3,163.0	2,933.0
Total assets	2,644.5	2,738.9	2,774.3	2,735.5	2,777.6	2,947.2	3,105.1	3,545.7	3,938.5	4,508.3	4,401.8
Unpaid losses and settlement expenses	1,158.5	1,129.4	1,121.0	1,103.8	1,139.3	1,271.5	1,461.3	1,574.4	1,750.0	2,043.6	2,150.5
Total debt	99.9	148.2	148.4	148.6	148.7	148.9	149.1	149.3	149.5	199.7	199.8
Total shareholders' equity	796.4	829.0	845.1	823.5	823.6	853.6	806.8	995.4	1,136.0	1,229.4	1,044.2
Statutory surplus	684.1	859.2	849.3	865.3	860.0	864.6	829.8	1,029.7	1,121.6	1,240.6	1,249.9

# SELECTED FINANCIAL DATA

(Amounts in thousands, except per share data)

SHARE INFORMATION	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2 22
Net earnings per share: Diluted	2.39	2.90	3.09	3.12	2.59	2.36	1.43	4.23	3.46	6.11	1.00
Comprehensive earning (losses) per share: Diluted	2.99	2.74	3.90	2.04	2.56	3.15	0.67	5.72	4.70	4.82	(3.66)
Cash dividends declared per share: Ordinary	0.63	0.67	0.71	0.75	0.79	0.83	0.87	0.91	0.95	0.99	0.51
Special	2.50	1.50	3.00	2.00	2.00	1.75	1.00	1.00	1.00	2.00	-
Book value per share	18.73	19.29	19.61	18.91	18.74	19.33	18.13	22.18	25.16	27.14	23.02
Closing stock price	32.33	48.69	49.40	61.75	63.13	60.66	68.99	90.02	104.15	112.10	116.59
Stock split		200%									
Weighted average shares outstanding: Diluted	43,160	43,514	43,819	44,131	44,432	44,500	44,835	45,257	45,376	45,712	45,748
Common shares outstanding	42,525	42,982	43,103	43,544	43,945	44,148	44,504	44,869	45,143	45,289	45,369
OTHER FINANCIAL INFORMATION	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2 22
Net premiums written (T4Q) to statutory surplus	87%	78%	83%	83%	86%	87%	99%	84%	80%	85%	93%
GAAP combined ratio	89.0	83.1	84.5	84.5	89.5	96.4	94.7	91.9	92.0	86.8	79.1

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