

RLI CORP
Form 10-Q
October 25, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2017

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 001-09463

RLI Corp.

(Exact name of registrant as specified in its charter)

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Illinois (State or other jurisdiction of incorporation or organization)	37-0889946 (I.R.S. Employer Identification Number)
9025 North Lindbergh Drive, Peoria, IL (Address of principal executive offices)	61615 (Zip Code)

(309) 692-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of October 13, 2017, the number of shares outstanding of the registrant's Common Stock was 44,059,831.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RLI Corp. and Subsidiaries

Condensed Consolidated Statements of Earnings and Comprehensive Earnings

(Unaudited)

(in thousands, except per share data)	For the Three-Month Periods Ended September 30,	
	2017	2016
Net premiums earned	\$ 182,025	\$ 183,595
Net investment income	14,187	13,504
Net realized gains	35	9,347
Other-than-temporary impairment (OTTI) losses on investments	-	(95)
Consolidated revenue	\$ 196,247	\$ 206,351
Losses and settlement expenses	123,190	97,892
Policy acquisition costs	62,066	61,761
Insurance operating expenses	11,701	13,338
Interest expense on debt	1,856	1,857
General corporate expenses	1,956	2,242
Total expenses	\$ 200,769	\$ 177,090
Equity in earnings of unconsolidated investees	3,660	1,881
Earnings (loss) before income taxes	\$ (862)	\$ 31,142
Income tax expense (benefit)	(2,596)	8,879
Net earnings	\$ 1,734	\$ 22,263
Other comprehensive earnings (loss), net of tax	8,444	(6,931)
Comprehensive earnings	\$ 10,178	\$ 15,332
Earnings per share:		
Basic:		
Basic net earnings per share	\$ 0.04	\$ 0.51
Basic comprehensive earnings per share	\$ 0.23	\$ 0.35
Diluted:		

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Diluted net earnings per share	\$ 0.04	\$ 0.50
Diluted comprehensive earnings per share	\$ 0.23	\$ 0.34
Weighted average number of common shares outstanding:		
Basic	44,058	43,843
Diluted	44,515	44,492
Cash dividends paid per common share	\$ 0.21	\$ 0.20

See accompanying notes to the unaudited condensed consolidated interim financial statements.

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(in thousands, except per share data)	For the Nine-Month Periods Ended September 30,	
	2017	2016
Net premiums earned	\$ 549,641	\$ 540,739
Net investment income	40,430	39,922
Net realized gains	1,390	23,457
Other-than-temporary impairment (OTTI) losses on investments	(2,090)	(95)
Consolidated revenue	\$ 589,371	\$ 604,023
Losses and settlement expenses	306,927	259,340
Policy acquisition costs	186,264	184,525
Insurance operating expenses	38,582	38,950
Interest expense on debt	5,569	5,570
General corporate expenses	7,816	7,385
Total expenses	\$ 545,158	\$ 495,770
Equity in earnings of unconsolidated investees	15,404	10,823
Earnings before income taxes	\$ 59,617	\$ 119,076
Income tax expense	11,847	36,343
Net earnings	\$ 47,770	\$ 82,733
Other comprehensive earnings, net of tax	30,812	33,898
Comprehensive earnings	\$ 78,582	\$ 116,631
Earnings per share:		
Basic:		