

RLI CORP
Form 10-Q
July 28, 2014

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 June 30, 2014

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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 July 11, 2014, the number of shares outstanding of the registrant's Common Stock was 43,023,504.

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 June 30,	
	2014	2013
Net premiums earned	\$ 168,604	\$ 154,553
Net investment income	13,982	12,847
Net realized investment gains	10,431	3,742
Consolidated revenue	\$ 193,017	\$ 171,142
Losses and settlement expenses	73,345	65,607
Policy acquisition costs	55,156	51,502
Insurance operating expenses	13,534	11,885
Interest expense on debt	1,874	1,513
General corporate expenses	2,549	1,692
Total expenses	\$ 146,458	\$ 132,199
Equity in earnings of unconsolidated investees	5,864	4,633
Earnings before income taxes	\$ 52,423	\$ 43,576
Income tax expense	16,698	13,674
Net earnings	\$ 35,725	\$ 29,902
Other comprehensive earnings (loss), net of tax	19,934	(33,481)
Comprehensive earnings (loss)	\$ 55,659	\$ (3,579)
Earnings per share:		
Basic:		
Basic net earnings per share	\$ 0.83	\$ 0.70
Basic comprehensive earnings (loss) per share	\$ 1.29	\$ (0.08)
Diluted:		
Diluted net earnings per share	\$ 0.82	\$ 0.69
Diluted comprehensive earnings (loss) per share	\$ 1.27	\$ (0.08)
Weighted average number of common shares outstanding		
Basic	43,001	42,628
Diluted	43,688	43,341
Cash dividends paid per common share	\$ 0.18	\$ 0.17

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

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RLI Corp. and Subsidiaries

Condensed Consolidated Statements of Earnings and Comprehensive Earnings

(Unaudited)

(in thousands, except per share data)	For the Six-Month Periods Ended June 30,	
	2014	2013
Net premiums earned	\$ 329,736	\$ 298,704
Net investment income	27,564	25,733
Net realized investment gains	16,932	7,426
Consolidated revenue	\$ 374,232	\$ 331,863
Losses and settlement expenses	144,361	127,055
Policy acquisition costs	110,207	101,838
Insurance operating expenses	26,067	24,454
Interest expense on debt	3,725	3,025
General corporate expenses	4,747	4,078
Total expenses	\$ 289,107	\$ 260,450
Equity in earnings of unconsolidated investees	9,289	8,132
Earnings before income taxes	\$ 94,414	\$ 79,545
Income tax expense	29,720	24,796
Net earnings	\$ 64,694	\$ 54,749
Other comprehensive earnings (loss), net of tax	37,671	(15,928)
Comprehensive earnings	\$ 102,365	\$ 38,821
Earnings per share:		
Basic:		
Basic net earnings per share	\$ 1.50	\$ 1.29
Basic comprehensive earnings per share	\$ 2.38	\$ 0.91