

## Selected Financial Data

The following is selected financial data of RLI Corp. and Subsidiaries for the 11 years ended December 31, 2005.

(amounts in thousands, except per share data)	2005	2004	2003	2002	2001
<b>Operating Results</b>					
Gross revenues	\$ 834,007	820,040	798,766	741,541	548,331
Total revenue	\$ 569,302	578,800	519,886	382,153	309,354
Net earnings	\$ 107,134	73,036	71,291	35,852	31,047
Comprehensive earnings <sup>(1)</sup>	\$ 83,902	81,354	97,693	13,673	11,373
Net cash provided from operating activities	\$ 198,027	188,962	191,019	161,971	77,874
<b>Financial Condition</b>					
Total investments	\$ 1,697,791	1,569,718	1,333,360	1,000,027	793,542
Total assets	\$ 2,735,870	2,468,775	2,134,364	1,719,327	1,390,970
Unpaid losses and settlement expenses	\$ 1,331,866	1,132,599	903,441	732,838	604,505
Total debt	\$ 115,541	146,839	147,560 <sup>(7)</sup>	54,356	77,239
Total shareholders' equity	\$ 692,941	623,661	554,134	456,555 <sup>(4)</sup>	335,432
Statutory surplus <sup>(2)</sup>	\$ 690,547	605,967 <sup>(7)</sup>	546,586 <sup>(7)</sup>	401,269 <sup>(4)</sup>	289,997
<b>Share Information<sup>(3)</sup></b>					
Net earnings per share:					
Basic	\$ 4.21	2.90	2.84	1.80	1.58
Diluted	\$ 4.07	2.80	2.76	1.75	1.55
Comprehensive earnings per share: <sup>(1)</sup>					
Basic	\$ 3.30	3.23	3.89	0.69	0.58
Diluted	\$ 3.19	3.12	3.78	0.67	0.57
Cash dividends declared per share	\$ 0.63	0.51	0.40	0.35	0.32
Book value per share	\$ 27.12	24.64	22.02	18.50 <sup>(4)</sup>	16.92
Closing stock price	\$ 49.87	41.57	37.46	27.90	22.50
Stock split				200%	
Weighted average shares outstanding: <sup>(4)(5)</sup>					
Basic	25,459	25,223	25,120	19,937	19,630
Diluted	26,324	26,093	25,846	20,512	20,004
Common shares outstanding	25,551	25,316	25,165	24,681	19,826
<b>Other Non-GAAP Financial Information<sup>(6)</sup></b>					
Net premiums written to statutory surplus <sup>(2)</sup>	72%	84%	87%	103%	109%
GAAP combined ratio	86.0	92.2	92.0	95.6	97.2
Statutory combined ratio <sup>(2)</sup>	86.7	93.8	93.1	92.4	95.8

2000	1999	1998	1997	1996	1995
469,759	370,057	316,863	306,383	301,500	293,922
263,496	225,756	168,114	169,424	155,354	155,954
28,693	31,451	28,239	30,171	25,696	7,950
42,042	20,880	51,758	66,415	41,970	31,374
53,118	58,361	23,578	35,022	48,947	24,649
756,111	691,244	677,294	603,857	537,946	471,599
1,281,323	1,170,363	1,012,685	911,741	845,474	810,200
539,750	520,494	415,523	404,263	405,801	418,986
78,763	78,397	39,644	24,900	46,000	48,800
326,654	293,069	293,959	266,552	200,039	158,608
309,945	286,247	314,484	265,526	207,787	172,313
1.46	1.55	1.34	1.45	1.30	0.41 <sup>(8)</sup>
1.44	1.54	1.33	1.33	1.14	0.41 <sup>(8)</sup>
2.14	1.03	2.46	3.19	2.13	1.60 <sup>(8)</sup>
2.11	1.02	2.43	2.88	1.81	1.39 <sup>(8)(9)</sup>
0.30	0.28	0.26	0.24	0.22	0.21
16.66	14.84	14.22	12.35	10.23	8.08
22.35	17.00	16.63	19.93	13.35	10.00
		125%			125%
19,634	20,248	21,028	20,804	19,742	19,624
19,891	20,444	21,276	23,428	24,210	19,624
19,608	19,746	20,670	21,586	19,554	19,628
84%	79%	46%	54%	64%	76%
94.8	91.2	88.2	86.8	87.4	107.5
95.8	90.1	88.4	90.4	89.1	106.5

<sup>(1)</sup> See note 1.M to the consolidated financial statements.

<sup>(2)</sup> Ratios and surplus information are presented on a statutory basis. As discussed further in the MD&A and note 9, statutory accounting principles differ from GAAP and are generally based on a solvency concept. Reporting of statutory surplus is a required disclosure under GAAP.

<sup>(3)</sup> On October 15, 2002, our stock split on a 2-for-1 basis. All share and per share data has been retroactively stated to reflect this split.

<sup>(4)</sup> On December 26, 2002, we closed an underwritten public offering of 4.8 million shares of common stock. This offering generated \$115.1 million in net proceeds. Of this, \$80.0 million was contributed to the insurance subsidiaries. Remaining funds were used to pay down lines of credit.

<sup>(5)</sup> In July 1993, we issued \$46.0 million of convertible debentures. In July 1997, these securities were called for redemption. This conversion created an additional 4.4 million new shares of RLI common stock.

<sup>(6)</sup> See page 2 for information regarding non-GAAP financial measures.

<sup>(7)</sup> On December 12, 2003, we successfully completed a public debt offering, issuing \$100.0 million in Senior Notes maturing January 15, 2014. This offering generated proceeds, net of discount and commission, of \$98.9 million. Of the proceeds, capital contributions were made in 2003 and 2004 to our insurance subsidiaries to increase their statutory surplus in the amounts of \$50.0 million and \$15.0 million, respectively. Remaining funds were retained at the holding company.

<sup>(8)</sup> The combined effects of the Northridge earthquake — including losses, expenses and the reduction in revenue due to the reinstatement of reinsurance coverages — reduced 1995 after-tax earnings by \$18.6 million (\$0.95 per basic share, \$0.77 per diluted share).

<sup>(9)</sup> For 1995, diluted earnings per share on a GAAP basis were antidilutive. As such, GAAP diluted and basic earnings per share were equal. Diluted comprehensive earnings per share, however, were not antidilutive. The number of diluted shares used for this calculation was 24,047.