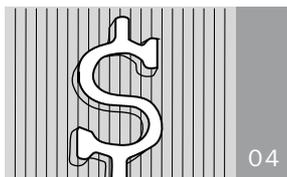




PRESIDENT'S LETTER

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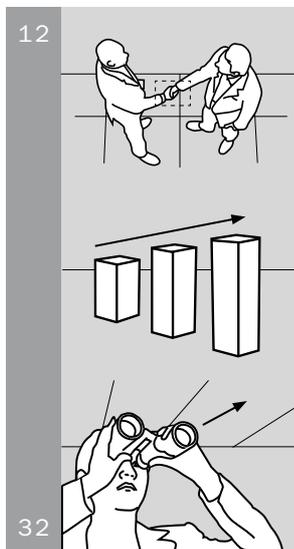
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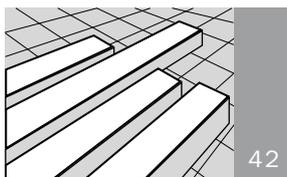
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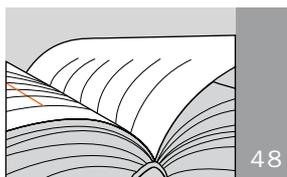
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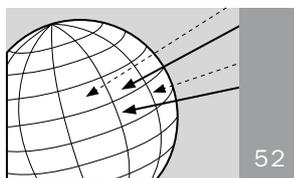
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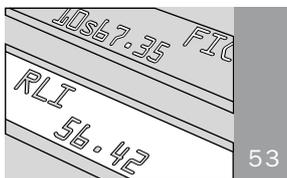
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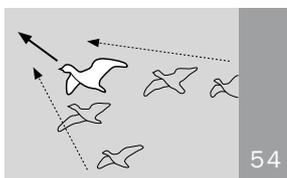
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→ IF YOU ARE READING THIS REPORT, CHANCES ARE YOU ARE AN OWNER OR FUTURE OWNER OF RLI. Whether you are a shareholder or an employee, our business success is because of your ownership commitment. It is hard to underestimate the power of talented, motivated people as evidenced by our combined ratio of 84.1 and underwriting profit 26 of the last 30 years. That we have been an ESOP company for as long is no coincidence. This book details the principles we abide by everyday, the reasons we have been successful through the years, and why we will continue to succeed in the future.



Jonathan E. Michael, PRESIDENT & CEO

→ Your company delivered again in 2006.

Underwriting results were outstanding. Investment results set records and our balance sheet has never been stronger. Our GAAP combined ratio in 2006 was an impressive 84.1. For the 11th straight year we delivered an underwriting profit. We have achieved this measure of profitability for 26 of the last 30 years. Over the last 10 years, we have outperformed the industry average by 13.2 points.

UNDERWRITING RESULTS WERE OUTSTANDING

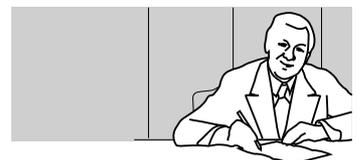
The casualty segment faced the tough marketplace we expected last year. Gross premiums written were down 2 percent. Yet a combined ratio of 80.4 created an underwriting profit of \$68.4 million. Our results were improved by \$39.3 million of favorable loss reserve development; even without it, this segment's combined ratio would have been an impressive 91.4.

Surety continued its positive trajectory of premium and profit. Gross premiums written grew 10

percent and a combined ratio of 82.1 drove \$10.7 million of underwriting profit.

Property gross premiums written grew 28 percent. When other companies pulled back following the 2004 and 2005 record hurricane seasons, our underwriters capitalized on this market dislocation and provided much-needed capital to a region recovering from back-to-back blows. Our combined ratio of 95.9, while profitable, was below our expectations. We believe the residual impact of our exit

CONTINUED ON P.5 ----->



FINANCIAL HIGHLIGHTS

In thousands, except per diluted share and combined ratio data

	2006	2005	% change
Gross premiums written	\$ 799,013*	756,012	5.7
Net premiums written	551,536*	494,565	11.5
Consolidated revenue	632,708*	569,302	11.1
Net earnings	134,639*	107,134	25.7
Comprehensive earnings	156,999*	83,902	87.1
GAAP combined ratio	84.1	86.0	(2.2)
Total shareholders' equity	756,520*	692,941	9.2
Per-share data:			
Net earnings	\$ 5.27*	4.07	29.5
Comprehensive earnings	6.14*	3.19	92.5
Cash dividends declared	0.75*	0.63	19.0
Book value	31.17*	27.12	14.9
Year-end closing stock price	56.42*	49.87	13.1
Return on equity	19.1%	16.2%	17.9
Comprehensive return on equity	22.2%	12.7%	74.8

*Year-end company records

from the property construction business in late 2005 is now behind us. This is a reminder that although all risks don't reap rewards, we cannot shy away from taking them. Exploring new opportunities for growth is in our DNA and a reason for our success.

Our new marine unit had its first full year of operation and came into its own in 2006. A nationally recognized book of business formed quickly and this unit now has 33 employees in nine locations. Supported by superior technology, it produced \$28.7 million of gross premiums written. This unit is well on its way to validating the RLI business model — one that we always seek to replicate.

INVESTMENT RESULTS SET RECORDS

Our portfolio's total return was 8 percent, outpacing 2005's return of 3 percent. These excellent results were driven by an equity portfolio return of 21 percent and a bond portfolio return of 5 percent. Both returns surpassed their benchmarks.

Investment income was up 16 percent. Strong operating cash flows of \$369.8 million over the last two years contributed to this performance. At year end, our investment portfolio was up 8 percent and stood at \$1.8 billion. That is \$75.32 of invested

assets hard at work for each share outstanding. We continue to maintain a well diversified portfolio of high investment grade bonds and large cap, dividend-paying stocks.

OUR BALANCE SHEET HAS NEVER BEEN STRONGER

Despite buying back \$81.1 million of our stock in a program we announced in the first quarter, shareholders' equity grew 9 percent to \$756.5 million. We continued our 31-year streak of increasing our dividend annually. Dividends for the year increased 19 percent to \$0.75 per share. Over the last 10 years our dividend has grown by an average of 14 percent each year. Mergent's Dividend Achievers ranks RLI 83rd among 11,000 publicly traded companies for having the longest record of consecutive dividend increases. We will continue to manage our capital by enabling sustained profitable growth, paying and increasing dividends, and, when it makes sense, by repurchasing shares.

WE CONTINUE TO MEET MARKET CHALLENGES AND ADDRESS OPPORTUNITY

Property insurance prices in catastrophe-prone areas rose significantly in the first three quarters of the year and then retreated in the final quarter

as new capacity entered the market and the last two hurricane seasons receded into the past. Our underwriters remained disciplined and will continue to be as underwriting profit is their utmost priority. Casualty pricing was relatively stable but maintained the modest softening trend we saw in 2005. Fortunately, margins continue to be attractive and we remain focused on maintaining profit in all marketplace conditions.

We have capital to deploy and will put it to work for us. We remain watchful of the marketplace as we believe pricing across the board will continue to soften. We also believe that softening conditions provide an opportunity to build future capabilities. RLI successfully added some of our best products during the last soft market. Transportation, for example, was started in 1999 and today delivers 15 percent of gross premiums written in our casualty segment.

We will take advantage of our ability to attract and enable talented underwriters — people

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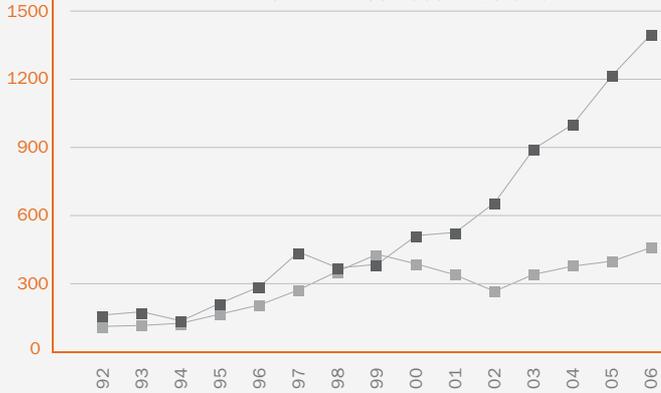


15-YEAR CUMULATIVE SHAREHOLDER RETURN

Over the past 15 years, RLI's total return to shareholders has been significantly better than that of the S&P 500.

Assumes \$100 invested on December 31, 1991, in RLI and the S&P 500, with reinvestment of dividends.

Comparison of 15-year annualized total return
RLI — 19.12% **S&P 500 — 10.62%**



RLI	■	154	168	133	208	284	430	363	378	504	515	647	880	989	1,203	1,381
S&P 500	■	108	118	120	165	203	271	348	421	383	337	263	338	375	393	455

5-YEAR CUMULATIVE SHAREHOLDER RETURN

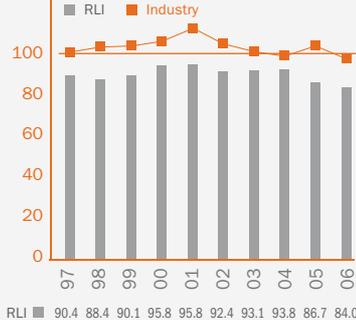
\$100 invested in RLI stock in 2001 would have grown to \$268 by year-end 2006. An identical investment in the S&P 500 would have grown to just \$135.



RLI	■	126	171	192	234	268
S&P Ins.	■	89	112	124	143	161
S&P 500	■	78	100	111	117	135

STATUTORY COMBINED RATIO

Underwriting profitability requires a combined ratio under 100. Our average statutory combined ratio has beaten the industry average by 13.2 points over the last decade.



RLI	■	90.4	88.4	90.1	95.8	95.8	92.4	93.1	93.8	86.7	84.0
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who seek ownership privileges, market challenges, and the freedom to make a difference.

GREAT RESULTS REQUIRE GREAT PEOPLE

It is my pleasure to thank those who made this remarkable year happen: our employees, brokers, and agents — for your hard work, intelligent decisions, and quality delivery of products; our customers, those we insure — for your faith in the promises we make to you; and our shareholders — for your investment in us and your continuing loyalty and trust.

Our approach to growth is to identify talented underwriters, hire them, and start writing the line of business they know best. Or, we identify a specific product niche where we see opportunity and then find the underwriting talent who can staff it. We give these talented people underwriting authority — the freedom to make decisions and take action — and high levels of technical and customer support. We compensate our underwriters based on the profits they deliver.

We are a nimble, entrepreneurial company that enters markets quickly and makes money. Our investors have benefited as RLI stock has created a total average annual return to shareholders

of 22 percent over the past five years and 19 percent over the last 15.

Another reason for our sustained growth is our Employee Stock Ownership Plan which we began in 1975. We hire the best and the brightest people and reap the rewards of talented, loyal employees who have a stake in the business and strong motivation to perform. Fifteen percent of RLI stock is owned by insiders.

Believing that to those whom much is given much is expected, RLI employees in our headquarters in Peoria and in our offices around the country are engaged in community service and in proactive, strategic giving. We focus our energies and commitment on three main areas: education, youth, and those in need. We all are grateful for the means to make a difference and for our company's strong support.

THE YEAR AHEAD HOLDS PROMISE

In spite of a softening insurance market, 2007 should be a year of growth for RLI in new lines of business and in our current lines. We will continue to concentrate on specialty products — niches on which the general marketplace fails to capitalize. We will continue to look for teams of people who can bring us product and

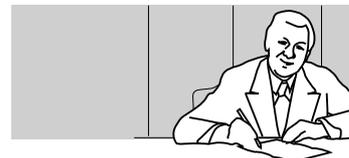
who can support that product's success. We enter the new year with a focus on excellent selection criteria and expense management skills, both of which will be important as the marketplace softens. While we are doing the basic blocking and tackling, we will also be looking for opportunities that will benefit us over time.

We have grown premiums and profits in 2006 and our investors have prospered as they have through the years. But, as importantly, we are still early in our life-cycle as a business. We welcome the opportunities and challenges of 2007 and remain confident in our ability to continue to grow and handle well whatever may come our way.

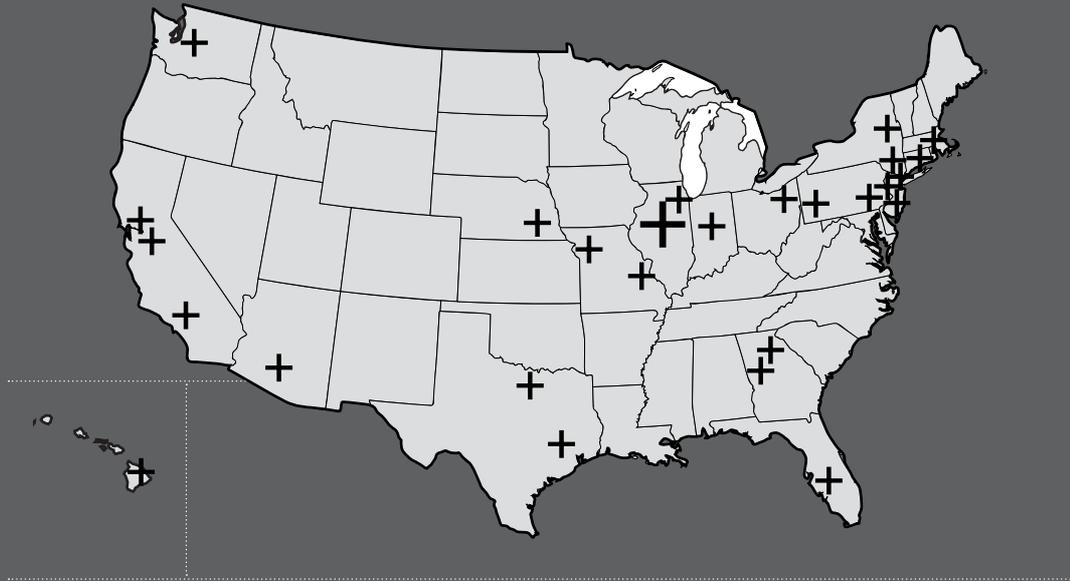
This Owners' Manual is for our employee owners, our shareholders, and all who may want to join us. RLI performance is impressive and our potential is tremendous.



Jonathan E. Michael
PRESIDENT & CEO
FEBRUARY 28, 2007



RLI AT A GLANCE



+ RLI office locations from which we serve customers coast to coast

→ WEST	→ MID AMERICA	→ EAST
Phoenix, AZ	Chicago, IL	Glastonbury, CT
Los Angeles, CA	Peoria, IL	Sarasota, FL
Oakland, CA	Indianapolis, IN	Alpharetta, GA
San Francisco, CA	Lee's Summit, MO	Atlanta, GA
Honolulu, HI	Chesterfield, MO	Boston, MA
Lynnwood, WA	Lincoln, NE	Moorestown, NJ
	Middleburg Heights, OH	Summit, NJ
	Houston, TX	Montvale, NJ
	Irving, TX	New York, NY
		Saratoga Springs, NY
		Uwchland, PA
		Wexford, PA

OUR COMPANY

Who We Are

We are a specialty property and casualty insurer operating nationwide on both an admitted (regulated) and excess and surplus lines (less regulated) basis. We combine profitable underwriting, solid investment returns, and effective capital management to deliver consistent, long-term growth in shareholder value. Our officers and employees are rewarded on metrics that align with our shareholders' interests.

Insurance is an industry with nearly \$500 billion in direct written premiums. In 2006, we wrote \$799.0 million of coverage, 91 percent commercial lines, 9 percent personal lines. A.M. Best Company rates all three of our insurance subsidiaries A+ (Superior), a distinction held by fewer than 10 percent of all property and casualty insurance companies in the country.



How We Do It

We develop coverages designed to meet specific needs. These range from highly automated, self-underwriting products to highly complex, individually underwritten coverages. In all cases, we leverage technology to bring superior service to underserved customers. Our customers are businesses and individuals throughout the United States.

Insurance coverages are distributed through many means. Wholesale brokers help retail agencies place complex commercial coverages. Other products are more common, are "value added" coverages, or are specialized for an industry, and are delivered through retailers. Other coverages are more suited for general agencies. Page 41 shows how RLI products are distributed.

OUR MISSION

We provide our customers with outstanding service through innovative risk management products and solutions.

We are dedicated to carefully chosen niche markets.

We attract outstanding talent and continuously develop our expertise.

We constantly re-evaluate, enhance, and reinvigorate our business model to create new products, services, and delivery systems.

We create long-term shareholder value by pursuing profitable growth, underwriting for a profit, and earning returns that significantly exceed our cost of capital.

OUR VISION

As the leading provider of specialized insurance and financial services, RLI is focused on building and managing a portfolio of innovative products and solutions that meet and surpass the expectations of shareholders.

OUR VALUES

We are talented.

We are innovative.

We are customer focused.

We are driven.

We are people of integrity.

We are respectful.

We are owners.



RLI OWNERS' MANUAL:

9 BUSINESS PRINCIPLES THAT DRIVE OUR SUCCESS



1.Hire smart people. 2.Make them owners of the business. 3.Demand the highest ethical standards. 4.Provide great products and strong home office support. 5.Give people freedom to try new things. 6.Focus on profitable growth. 7.Keep your promises. 8.Share the rewards. 9.Look ahead.

1. HIRE SMART PEOPLE.

RLI founder Jerry Stephens has often said that the company would never hire anyone who isn't smarter than he is. He made it a priority to hire people with exceptional talent and ability. Their knowledge, ingenuity, innovation, and commitment make this company a success. Our talent distinguishes us. That's not just a sales pitch; it's what we truly believe.

MURALI NATARAJAN

What makes the ideal IT person? A lot of knowledge about information technology — and just as much knowledge about business. At RLI, that person is Murali Natarajan.

Essentially, he's a translator.

"I help bridge the gap between business and technology. I can talk in insurance language, so I understand our business needs,"



photo: Murali Natarajan, assistant vice president, strategic information services, uses his strong mix of technical and business skills to match IT with RLI's entrepreneurial style.



>left(top): RLI is headquartered in Peoria, Ill. — a thriving city in the heart of the Midwest that combines big-city assets with small-town charm and convenience. >left(bottom): Murali Natarajan and his team in the strategic information services department are responsible for providing business intelligence to the company — making sure everyone in the organization is interpreting data the way it should be interpreted. >below: Jerry Wenger and Manny Bedi are part of RLI's IT team.



he says. “And because I also understand technology, I can interpret those needs into objectives for IT staff to meet.”

Natarajan is a CPCU and also holds a master’s degree in information systems and an MBA. While his education certainly contributed to his knowledge, he credits his coworkers with the bulk of his expertise. **“Formal education gave me the tools to do my job. But it is my fellow associates who have shown me how to put those tools to their best use.”**

Natarajan has been an RLI employee since 1997, primarily working on Web-based systems for external producers/agents. Now he’s charged with turning his talents inward.

“My group provides business intelligence for a strategic

advantage. That means we try to tell a story using the data we have,” he says. “Can we make information meaningful to others in the company? Our goal is to provide a single version of the truth, so everyone sees the data the way it should be viewed.”

CRAIG DAVIS

Craig Davis spends a lot of time looking at computer models — the perfect job for someone with a Ph.D in mathematics. He’s a senior assistant actuary at RLI who uses his skills to study and analyze commercial catastrophe models, helping provide the input used by RLI underwriters to better evaluate catastrophic perils.

“My math background helps me solve problems. It’s a way of thinking,” he says. “I know a lot about distribution and probability.

Geometry gives me some tools that are invaluable in what I’m doing. And I’m able to make the math concepts something others can use, presenting them in a way others can understand.”

For the last six months Davis has been studying RLI’s catastrophe portfolio and looking at how to best use the commercial models available. **“We look at the distribution of losses and try to get ideas about how to get the appropriate price for our product while staying within RLI’s risk tolerances,”** he explains.

Using existing models, Davis created a tool that helps RLI develop





and better manage its diversified catastrophe portfolio. “It uses output from the commercial models combined with the knowledge of our exposure to give underwriters information about what we need to charge in order to get a satisfactory return for the assumed risk,” he says.

BECKY LUNDBERG

Becky Lundberg’s career doesn’t fit the stereotype associated with her background. The daughter of an attorney and schoolteacher from a small town, she earned a cum laude degree in math from Wake Forest University. Yet, she’s been in the personal lines insurance business for over 20 years — the last 10 at RLI.

An assistant vice president, Lundberg is responsible for balancing the profit of the personal umbrella line with the growth of the product. “I think my skill set actually fits well in the insurance business and particularly at RLI,” she says. “Math requires you to challenge and seek out lots of potential outcomes. We want to make sure that the implications of a decision



are well thought out. We don’t always get it completely right, but we’re not surprised too often.”

Her analytical skills are essential. “One of the tools I use most frequently is my ability to connect the dots and see around the corner,” she says. “It can be challenging to come up with ways to increase top line growth — but it’s an even greater challenge to make sure that growth also maximizes profit.”

>top: Using commercial catastrophe models, Craig Davis created a tool that dynamically adjusts the price of coverage to recognize concentration of risk. **>middle:** Betsy McLaughlin covers claims nationwide, but is able to live in Syracuse, N.Y., where she is close to her family. **>bottom:** Becky Lundberg spends a lot of time nurturing relationships. “We can’t always do what our distribution partners and customers are asking,” she says. “But at least they understand why.”

She also nurtures RLI’s relationship with “The Big I,” the Independent Insurance Agents & Brokers of America (IIABA), the largest insurance trade association in the country. “I am the face of RLI with the IIABA,” she says. “IIABA is involved in consumer and government affairs and advocacy on insurance and agency issues. Our deep relationship with the IIABA brings value to all RLI stakeholders.”

BETSY MCLAUGHLIN

When RLI is faced with a claim, Betsy McLaughlin, assistant vice president, gets to work — investigating, making sure reserves are set and ultimately ensuring that the claim is properly resolved. She often finds herself in a room filled with lawyers. That doesn’t bother her at all — because she’s one of them.

McLaughlin practiced law in Hartford, Conn., for seven years, representing both plaintiffs and defendants. When she changed careers and got into the insurance business, she immediately felt a fit in the claims department.

“In the claim unit at my first insurance job were some of the smartest people I’ve ever met,” she says. “I learned so much from them. Fortunately, I still work with several of them, but here at RLI.”

The bulk of McLaughlin's work right now is the handling and oversight of high exposure claims in the areas of general liability, commercial and personal umbrella, professional liability, and all large losses for the transportation division.

"With the claims I handle, there is a lot at stake," she says. "My job is to make sure we do the right thing and the smart thing. There are many factors to be considered when handling any claim. We have a responsibility to our insureds and shareholders to do what's right and fair."

PAUL O'SULLIVAN

Underwriter Paul O'Sullivan knows a lot about surety. He started in the business right out of college and has been exposed to the whole array of the surety world, working as an underwriter for contract bonds, commercial bonds, fidelity bonds, and fiduciary liability policies.

But what makes O'Sullivan and the RLI surety team unique isn't their dedication and expertise in the surety business. It's their total focus and wealth of knowledge in one industry. In O'Sullivan's case,



it's oil, gas, and energy. "This is all we do," he says. "We understand the industry, the regulators, the customers, and their properties.

"I had to learn about exploration, production, and economic aspects of the industry," he continues. "There's a lot of knowledge and research that goes into the process of drilling a well, but even that doesn't guarantee success." Without a bond, operators can't work. And each day means thousands of dollars.

Helping oil and gas companies begin operations is just part of the equation. The goal is to write bonds that also generate a profit for RLI. "It's more of an art than a science," he says. "We look at reserve reports, production reports, and the financial statements of the company and make an informed decision."

STEVE WILSON

In the executive products arena, who you know may be almost as important as what you know. That's why Steve Wilson, an RLI assistant vice president, credits the success



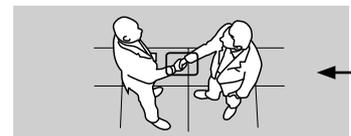
of his group to "a lot of shoe leather and perseverance."

"RLI was not well known in this arena when we started but had a great story that needed to be told," he says. "Fortunately, we had a few friends in the industry who were good enough to give us an opportunity when we were getting started. Having good relationships with our agents and brokers is an important part of the equation."

It's also important to be a student of the business, Wilson says. "We insure companies in a wide variety of industries, from railroads to computer manufacturers. As a result, we need to have a basic knowledge of all of those industries. We do a lot of reading and research and meet with most of our insureds during the underwriting process."

He finds sharing his experiences especially rewarding. "Knowledge and experience are great to have, but if you don't pass it along you are missing out on one of the most rewarding parts of the work experience," he says. "There is nothing I enjoy more than seeing someone I work with succeed in this business. That's a big part of why I like what I do."

>left: Paul O'Sullivan is 100 percent focused on the oil, gas, and energy industry. >right: Nearly 25 years of industry experience helps Steve Wilson knowledgeably evaluate risks for RLI.



2. MAKE THEM OWNERS OF THE BUSINESS.



photo: Skip Orza's successful Executive Products Group is a perfect example of what can happen when companies hire smart people, give them the right tools, compensate them accordingly, and share the wealth.

RLI founder Jerry Stephens understood that putting smart, entrepreneurial people together and providing them the opportunity to share the wealth is much smarter than going it alone. When it became legally possible to do that through Employee Stock Ownership Plan (ESOP) legislation over 30 years ago, he immediately took advantage of it.

The ESOP is not a gift; it's an incentive. When people are owners, they go above and beyond to make the operation run smoothly. They feel a responsibility for every part of the company — not just the division in which they are employed. They display a pride of ownership that truly makes a difference in the success of the company. And they reap the rewards.

GROWING THE EXECUTIVE PRODUCTS GROUP

A. Quentin “Skip” Orza II became an RLI owner nine years ago, when he joined the company to take over its fledgling Executive Products Group (EPG). At that time, he didn’t realize that when executives told him he was an owner, they meant it.

“I didn’t come to RLI simply because of the ESOP,” the vice president says. “I thought it was intriguing, but I didn’t really understand its true value over the long term. **But they really mean it. The more I grow our business, the more that stock price appreciates. And we all reap the rewards.**”

Growth has been the order of the day for EPG. “We took over a group which at that time was small,” he says. “We had our work cut out for

motivator. It’s drilled into people that they are owners. When you get that quarterly ESOP ownership report, it means something.

“Everyone talks about paying people for their performance, but RLI really does it,” he says. “There’s a direct correlation between performance and profitability.”

FOCUSING ON TRANSPORTATION COVERAGE

Like his counterpart in the Executive Products Group, Dave Dunn, president of RLI Transportation, didn’t join RLI because of the ESOP. But today he recognizes the role it plays in the success of the company.

“Allowing people to be owners is a key to our success,” Dunn says. “Anyone who has been here over

He started the division 10 years ago on his dining room table with a couple of laptop computers. “We had no business,” he recalls. “But RLI never wavered in their support of us. They stuck with us and we turned the corner and have been profitable ever since.”

Because all employees are owners, everyone in the company is rewarded for their hard work. Dunn finds that leads to an atmosphere of teamwork. “When you call the home office here, they say, ‘How can I help you,’ instead of ‘What do you want?’”

“You have to have people around who understand the business and support it,” Dunn says. “This really is a team of owners. It’s not me delivering profit from transportation coverage; it’s we.”

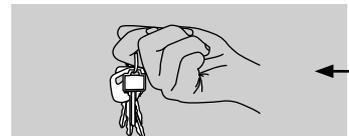
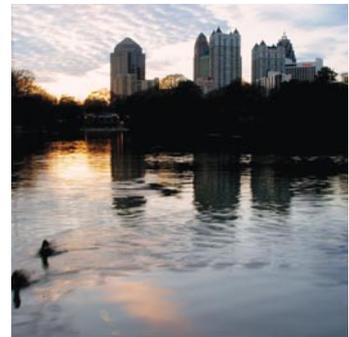


us. When I started here, this was a \$6 million group. As of 2006 it has grown tenfold, and we expect to continue to grow in 2007.”

Orza says the ESOP has a definite role in the growth of EPG. “I’m working because I enjoy the business,” he says. “But that doesn’t mean the ESOP isn’t a

five years can really see what that grows into. People know they have an impact on the success of the company.”

RLI’s ownership mentality was apparent from the beginning, Dunn says. “The early years were difficult, but RLI leadership made it clear that we were in this together.”



>left: Skip Orza and team members Jason Rubman, left, and Sam Partridge in their Summit, N.J., office. **>right:** RLI’s transportation division is located in Atlanta but provides underwriting and claims expertise for customers nationwide.

3.

DEMAND THE HIGHEST ETHICAL STANDARDS.



photo: Broker Terry Moody's commitment to long-term relationships has helped her maintain her accounts an average of seven years — a long time in a market where most shop for new coverage every year.

The owners of RLI don't just do ethical things; they're ethical people. It's more than how they do their jobs. It's who they are. They're honest and fair-dealing and live their values. They are people of integrity who are respectful, talented, innovative, customer focused, and driven.

GIVING CLIENTS THE MOST FOR THEIR MONEY

When broker Terry Moody looks for general liability coverage for her wide variety of insureds, she seeks a partner who will help her get the broadest coverage at the best possible premium.

"Mine are not cookie-cutter accounts," explains the senior vice president at Colemont Insurance Brokers. "So it takes a lot of innovation, high ethical standards, and a close working relationship with my underwriter."

Moody has found all of those things with RLI, partnering with Sharon Westerfield, assistant vice president, for the last seven years to develop customized coverage for her customers.

“RLI delivers a consistent approach and has the same values I do,” Moody says. “RLI is a good partner. They work with their broker partners to address the changing coverage needs of the insureds.”

Colemont’s goal is to negotiate and obtain the broadest possible coverage for its unique and

“These were repossessed homes in low-income communities,” she explains. “When they’re unoccupied, there’s liability to those who may be on the property. When the homes become occupied, that risk is different.”

RLI not only provided coverage with fewer exceptions, but also



>top: RLI partners with Colemont Insurance Brokers, one of the largest independent wholesale brokers in the United States. Colemont’s brokerage group is headquartered in Dallas, Texas. >left: RLI provides liability coverage for one of Colemont Insurance Brokers’ clients, who is allowing Hurricane Katrina evacuees to live in its repossessed homes in Texas.

diverse insureds. “RLI helps me take a Chevy and give them Rolls Royce coverage,” Moody says.

For example, when one of Colemont’s accounts agreed to earmark 50 percent of its repossessed units to house Hurricane Katrina evacuees, RLI agreed to provide the liability coverage.

priced it reasonably. “That’s why we value RLI,” Moody says. “Their skilled underwriters are empowered with the authority to make decisions based on their knowledge.”

Moody calls RLI a first class insurance partner for Colemont. “They value this partnership, and it shows.”

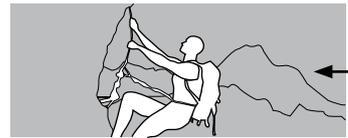
SHARON WESTERFIELD: DRIVEN TO SUCCEED

When Sharon Westerfield joined RLI as an underwriting director in 1992, she had already been in the insurance business almost 15 years. When the company offered her the opportunity to open a general liability branch in Dallas, Texas, 10 years ago, she was enthusiastic about the opportunity to start from scratch.

“We started at zero,” Westerfield recalls. “I just started talking to brokers and forming alliances and building business relationships. They had to find out what I had to offer and I had to learn what it would take to write their business. Not every broker fits RLI’s appetite — or our ethical standards.”

In 2006, Westerfield surpassed the \$100 million premium mark for her RLI career. And while that is considered quite an accomplishment, Westerfield is most proud of the profit delivered for RLI.

RLI is now the company to beat in the Dallas market, Westerfield



says. “If RLI’s on it, competitors will try to do it for less. They trust our judgment. If I come up with an approach, they’ll match it. In 10 years, RLI is now the market leader and everyone else looks up to us. I think that is a fun place to be.”

RLI Corp. started as a single product company in 1965, branching out into other areas in 1977. Now, more than 40 years later, we pride ourselves on providing a wide variety of products that solve specific business needs and meet unique personal needs. Our mix of property, casualty, and surety products is written by the most talented underwriters in the industry and backed by top-notch support and service in our branches and in the home office.



4. PROVIDE GREAT PRODUCTS AND STRONG HOME OFFICE SUPPORT.

A NEW WAY OF DOING BUSINESS FOR RLI

RLI has great specialty property and liability niche products for the hospitality, leisure, and recreation industries. We have

photo: The support system set up by Tomasz Milczarek and his team allows RLI's Target Market Specialists to deploy new products in less than a week.

now made it even easier for agents and their customers to take advantage of them.

“In 2006, our Target Market Specialists (TMS) group became licensed agencies in 35 states,” explains Target Market Specialists vice president Jim Davis. **“This is a different way of doing business for RLI. We still sell products through wholesalers and regional program administrators, but can now also deliver our products directly to retail agents — and that puts us closer to the customer.”**

TMS provides specialty niche products and service solutions for commercial establishments like bars, restaurants, hotels, golf courses, bowling centers, and sports fitness facilities. Oftentimes, these types of businesses get their insurance from a standard lines provider, directly from a retail agent. Prior to TMS’ licensing, many potential customers wouldn’t have even known RLI coverage was available to them. Davis calls the new arrangement a win-win situation.

“There are lot of reasons why this is a good idea,” Davis says. “Because we develop relationships with agents and customers, we can expect a higher retention rate. Retail agents like it because of outstanding turnaround time and improved profit margins. RLI customers now have access to better coverage than ever before from a company with a strong financial standing

and A+ rating. And because RLI’s products are not standard, solutions are designed specifically for the businesses they protect. We combine customized coverage with better service than anybody.”

Part of that service is thanks to home office support from RLI. While TMS was in the process of developing new products and distribution relationships throughout the United States, the information technology department in Peoria was busy developing both front-end and back-end support for this new way of doing business.

Project manager Tomasz Milczarek and his IT team were charged with installing, configuring, and modifying existing software to talk to the RLI system via Web service and creating terminal services so each underwriter can utilize a single point of access. The team also coordinated the deployment of the TMS Web site, which was created by the communication team.

Davis and his group set the standards for service level criteria. “They wanted retail agents to have an answer to a request for coverage within one business day,” Milczarek says. **“So we created a system that does that. It truly can happen in a day if all the information entered by the agent is complete. We guarantee efficiency, speed, and accuracy of data.”**

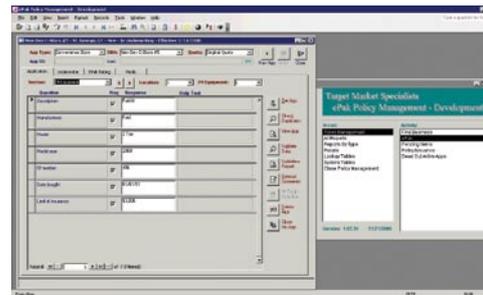
“That’s a true advantage,” says Davis. “The customer doesn’t lose

in coverage and wins in faster turnaround time. Sometimes that’s the difference in whether we write the business or not.”

Davis is excited about what the future holds for TMS. **“We believe this is a way for us to be profitable and to build our expertise, truly customizing product delivery through this online system. It gives us a much better chance of increasing our profits.”**



4



>top: TMS provides coverage for the hospitality industry, including bars and restaurants. **>bottom:** The Policy Administration System for managing agencies is one of three components in RLI’s TMS support system.



photo: Bob Schauer, president of RLI Marine, went from managing a small piece of a large company to being a big fish in a small pond.

5.

GIVE PEOPLE
FREEDOM TO TRY
NEW THINGS.

RLI is a place where talented people experience the magic of entrepreneurship and the energy it fosters. They have the freedom and the authority to do things their way, the resources to help make it happen, and a share of the rewards when they succeed.

FROM ZERO TO 30 IN 18 MONTHS

Great things are possible when you give people the freedom to try new things. Take RLI's new marine division. This talented team of underwriters came to RLI in 2005 with unparalleled industry knowledge, a few loyal customers, and a hunger for more.

"We had A+ rated paper and instant credibility in the marketplace with the RLI name," says Bob Schauer, president of RLI Marine. "They provided the infrastructure, IT support, and knowledge to get us up and running quickly and made

a commitment to building a complete marine operation around the country."

The results have been remarkable. In just 18 months:

- Marine staff has increased from three employees to more than 30.

- The group now has a nationwide presence with people in nine locations.

- In 2006, the division wrote nearly \$30 million in premiums.

Schauer points to the company's management style as the greatest reason for the tremendous growth. "Because we're a flat organization, without red tape, decisions are made at the underwriter level so that we can reply much faster with a policy or quote," he says. "Our customers appreciate that service.

"RLI asked us for one thing — to deliver consistent underwriting profits," Schauer continues. "And what we got in return was

the freedom to run this business and an opportunity to share in the profits we generate."

Marine is a perfect example of the RLI business model — hiring a team of talented underwriters and giving them the support necessary to build a business. The RLI executive team trusts in the talent and abilities of its underwriters, providing leadership instead of micro-management.

"We're proud of what we've accomplished in such a short time and even more excited about what we know is coming," says Schauer. "What we've achieved in 2006 is a testament to the ability of RLI to integrate opportunities and enable quick success."

SUPPORT FROM THE HOME OFFICE

A new electronic platform developed by people in the RLI IT department is making growth even faster and easier for the marine group. The Marine Artisan Small Business System takes care of smaller premium accounts online.

This fully automated, Web-based system allows agents to bind policies without underwriter intervention. An agent submits information and knows immediately if it fits the RLI criteria. The agent chooses limits and sets a deductible, and a quote is e-mailed to the insured. If the insured accepts the quote, the agent will bind it and the system will issue the binder and a policy.



5



>top: RLI doesn't require underwriters to relocate to its Illinois home office. The marine division is headquartered in Manhattan and serves customers nationwide. >bottom: The marine group — shown here in its Manhattan conference room — is a success story RLI plans to replicate in the future.

"If all the criteria are met, the process can take 10 minutes or less from start to finish," says Eric Anderson, RLI technology analyst. "If the system decides the request does not meet the set criteria, the agent is given an option to have the request reviewed by an underwriter."

Because it's Web-based, agents and underwriters have access to the system if they're traveling, using someone else's office or even visiting a client. An agent in Florida recently used the system to bind an account on the spot during a Sunday-afternoon boat show. "We understand the value that IT adds to the business," says Anderson. "We went to New York and got a wish list from the folks in marine to make sure this meets their business needs."

6. FOCUS ON PROFITABLE GROWTH

RLI doesn't just want to grow — it wants to grow profitably. That's why every opportunity for growth is weighed by what it can do for the bottom line of our company. We either grow the products we have, or we add new ones to our portfolio. And we only do so if it can increase our profitability.

GROWING THROUGH GEOGRAPHY AND TECHNOLOGY

2006 was the best year in the history of RLI's 14-year-old surety operation. Gross premiums written were up 10 percent, while the net loss ratio was down 10.3 percentage points. Bottom-line profit was substantial.

RLI's surety group writes bonds nationwide for four independent business units: contract; oil,



photo: Agency owner Ron Schroeder appreciates the new, easy-to-use online transaction system developed for RLI's surety group.

gas, and energy; miscellaneous (high-volume, low premium); and commercial.

“We had an incredible year based on the strengths of people in the field and a good economy,” says Roy Die, vice president, surety. “Underwriting income doubled — from \$5.2 million in 2005 to \$10.7 million in 2006.”

Die attributes much of the growth to geographic expansion and a consistent approach to underwriting. “We’re already in four different surety segments. We’ve determined the types of business we want to be in, and will continue to be a dependable market for these products.”

“This is a relationship business,” says Dave Sandoz, vice president, surety. “We look for experienced surety people who have already developed those relationships and have a successful track record. We transition them to our model and systems quickly so they can hit the ground running.”

The surety business is cyclical based on the economy — but RLI’s solid underwriting helps the group turn a profit even in market downturns. “We have talented underwriters making good risk decisions and we have the best underwriters for each situation closest to that transaction,” says Sandoz. “They understand the markets they’re in better than anyone.”

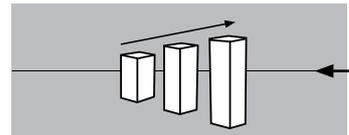
Peoria, Ill., agency owner Ron Schroeder appreciates the unsurpassed knowledge of RLI underwriters and the freedom they have to embrace new ideas. He operates Peoria Insurance Services, selling license and permit, fidelity, and other miscellaneous bonds. He also has a second agency, Notary Express, which is a mass marketer supplying notary bonds in six states. He hopes to expand to 10 states by year end, and credits RLI’s innovation and technology as a key to that growth.

“Most insurance companies are managed with an ‘ivory tower’ philosophy — and everyone below that level is a little apprehensive about doing anything new,” he says. “But at RLI, they are expected to entertain new ideas and new profit centers. That’s very good for me because I like to look for those niche markets — just like RLI.”

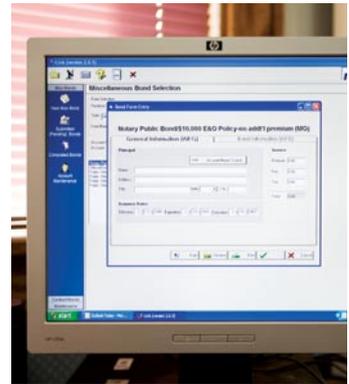
The launch of a new online transaction system for the surety group is helping Schroeder with his expansion. RLink² is a faster, smarter, and easier version of a tool dating back to the mid-1990s. The vision is to use RLink² throughout the entire surety division, but the initial focus is on higher transaction accounts like those found in the miscellaneous surety category.

The new tool delivers Web-based real-time access and can quote, rate, and issue bonds instantly. It allows agents to issue bonds within their underwriting authority and provides electronic document management. And cutting down the workload makes RLI more appealing to agents.

“Any time a company can shift the processing function to the agent, it becomes more efficient for both entities to operate,” says Schroeder. “For example,



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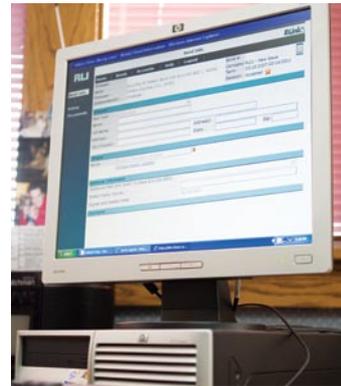


>top: The new system improves on its earlier version, RLink, by plugging in calculations behind the scenes and eliminating the need for pricing cards.

RLI allows me to market notary and notary errors and omissions business, so I can expand my operation. They provide the service and platform and let me run with the ball. It’s a win-win situation.”



>photos: Agency owner Ron Schroeder appreciates the fact that RLink² significantly reduces the amount of paperwork required to write surety bonds. Instead of being stored in his filing cabinets, left, RLink² stores data in an easy-to-access Web-based system. The system shifts processing functions to the agent — making it more efficient for both the agent and RLI.



“RLink² provides a number of benefits to agents,” says Karl Flower, director of application technology. “It’s an easy-to-use, one-touch system. The agent gets on the Web, plugs in data, finds out the cost, executes the bond, and then sends his customer out the door with a bond form in his hand.”

Requests that don’t fall within the controlled limits are automatically routed to an RLI underwriter. “It comes off as seamless to the agent,” says Sandoz. “Even when a request is referred to an underwriter, we do it behind the scenes very quickly.”

Schroeder and other agents helped RLI design the system. “We made suggestions how a marketing agency like mine would like to see it, and they’ve

adapted it to meet our needs,” he says. “It’s completely automatic. There’s no downtime waiting for approvals, which is essential to us. They’re as hands-off as they can be.”

While RLink² was designed to make RLI attractive to surety agents, it includes a number of benefits for RLI as well. It takes volumes of knowledge from underwriters and stores it in one easy-to-access place.

“It simplifies our lives,” says Flower. “Now we don’t have to chase documents. Before, a folder would be routed, filed, then pulled again. We’ve made a big effort to get things scanned so they are available electronically. We had 80,000 documents scanned into the system over the last year. The

elimination of paper alone justified this project.”

“To make surety profitable, you need good people on the front end, which we have,” says Sandoz. “On the back-end, you need lots of good management and staff. They deliver centralized agency support, handle processing and collections, and assist our underwriters throughout the country with general underwriting support.”

Schroeder considers RLI a partner. “Any time I have the vice president’s phone extension in my Rolodex, and when I call he answers the phone, that is a company I want to do business with. And it’s not only their vice presidents, but IT people as well. Sandy Swinford (director of surety automation) has both agency and

IT experience, so she's always willing to listen. She'll tell me if something can't be done — and if it can, she'll say, 'Why didn't I think of that?'

"They think independently, and because they deal with independent agencies, there's more of a meeting of the minds," Schroeder says.

TAKING ADVANTAGE OF MARKET OPPORTUNITIES

Sometimes success means taking advantage of opportunities. Thanks to its size and flat organizational structure, RLI is able to quickly capitalize on market changes. In 2006, the company continued to increase premium writing on the heels of the 2004 and 2005 hurricane season.

"The catastrophe market reaction to the 2005 hurricane season was swift and dramatic," says Jeff Wefer, senior vice president, E&S property. "Many traditional writers had followed the market down during this

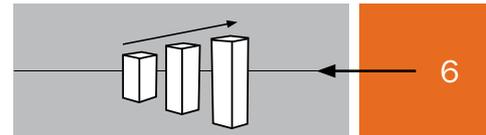
period and had to leave the arena either due to losses or over-exposure. Buyers who were used to low deductibles and large limits became frantic in their search to obtain even minimal coverage."

The situation created many opportunities, Wefer explains, and because RLI has remained consistent and adhered to its guidelines, the company was in position to take advantage of them. "This has always been one of our goals," Wefer says. "We position ourselves so we can pursue opportunities as they arise and use our expertise to outperform the general market."

In addition to a team of top-notch underwriters and strong relationships with brokers, RLI uses leading-edge risk management techniques and modeling tools to make educated decisions that lead to profitable growth. "There's no real ramp-up period because our systems capabilities support the underwriters," says Wefer.

"Leveraging IT enables them to write more business, issue more policies, and provide outstanding service with a rapid turnaround. They're able to quickly quote and bind coverage."

"Growth in this area was practically overnight — and we had the people, systems, and relationships in place to make it happen."



→ RLI GROWTH STRATEGY

- Recruit proven underwriting talent to grow existing products
- Recruit new product leadership teams to expand RLI's product portfolio
- Selectively consider niche acquisitions to grow existing products or add new ones
- Empower underwriters to nimbly pursue opportunities
- Equip underwriters with leading technology capabilities
- Employ leading risk management techniques to maximize profit potential
- Deliver unmatched customer service and responsiveness

7.

KEEP YOUR PROMISES

Insurance is a promise from start to finish. We promise to deliver an innovative, cost-effective product that meets each customer's individual needs. We promise to nurture relationships by returning phone calls, answering questions, and continually looking for ways to improve coverage. And we promise to quickly and proactively process claims, defend our insureds, and get a fair resolution.



photo: Dennis Firestone, a former CART driver who raced in the Indianapolis 500, is the owner of RLI customer KKW Trucking Inc. and Furniture Transportation Systems Inc.



BUILDING A RELATIONSHIP BASED ON TRUST

A long-term relationship between a California-based trucking company, RLI, and SafeFleet Insurance Services is a success because all three are dedicated to keeping their promises.

RLI promises to provide innovative coverage and exceptional claims service. The trucking company, KKW Trucking Inc. and Furniture Transportation Systems Inc. (KKW/FTS), promises to do everything possible to maintain a safe operation. And SafeFleet agent Bruce Blumberg vows never to make promises he can't keep.

"If we fail to keep our promises, I'm out of business," says Blumberg, who started SafeFleet and later sold it to RLI. "Since I only do trucking, I must have a good reputation. These guys talk to one another. I have to maintain their trust."

Blumberg had tried to land the KKW/FTS account for a number of years. When an upward spiral in the cost of fleet insurance made coverage unaffordable for many trucking firms, KKW/FTS came to RLI for help and has never looked back.



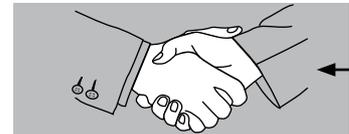
"We were really scrambling," says owner Dennis Firestone. "We were trying to find a solution to the high cost of insurance that would allow us to survive."

That desperation led Firestone to a new way of insuring his fleet. "Previously we had coverage with low deductibles. But we paid a higher price for that luxury. We decided we needed to take on more risk in order to make our insurance affordable during those tough times. So that's what we did."

RLI provides innovative solutions for the transportation market, says Blumberg. "We specialize. We know and are focused on the trucking business. We won't walk away when other companies might pull coverage or jack up their prices."

Firestone says the new way of insuring his fleet has changed the way the company thinks about claims. "Of course, you always care if you have a claim," he says. "But it seems now we care even more when we're writing the checks. We didn't feel it as much when the insurance company was handling it."

Now Firestone wouldn't have it any other way. "In retrospect, it's been



>left: RLI provides transportation coverage through SafeFleet Insurance Services in Irvine, Calif. >right: SafeFleet agent Bruce Blumberg, left, has a long-term relationship with the KKW team: from left, John Naughton, owner Dennis Firestone, Susan Zellmann and Lynnette Brown.

a great, fortuitous situation," he says. "The cost of lower deductible insurance has gone down significantly over the last four or five years, but we're not changing. We actually paid a premium last year to stay with RLI, because I didn't want to disturb a winning combination."

It helps that RLI's claim service is top-notch. "RLI always handles the claims," says Blumberg. "There will always be a person from RLI handling every claim and making decisions regarding it."

RLI recently located a claims representative in the California office to provide even better service. "We have a great rapport with the claims representative," says Susan Zellmann, KKW/FTS safety manager. "He always calls me right back and stays on top of cases. It makes my job so much easier. I'm very happy."

8.

SHARE THE REWARDS.

photo: Steve Lindell shows off one of the five classic cars he keeps at his retirement home in New Hampshire.



From the ESOP program to generous compensation and benefits, RLI lives up to its promise to share the rewards of success with the people who make it possible. Those who have retired from the company are proud of their contributions and now reap the rewards for their hard work, dedication, and commitment to RLI.

RETIRED EMPLOYEES ARE GRATEFUL FOR THE OPPORTUNITIES PROVIDED BY RLI

STEVE LINDELL

Steve Lindell, who retired in 2006 as senior vice president of casualty brokerage, joined RLI at a time of incredible growth. “The company was beginning its transition from contact lens insurance to multiple lines. They hired a number of people like me, with backgrounds in surplus lines, and enabled us to start up our own divisions.

“In the beginning, we had to do it all,” he says. “Find office space, hire staff, write the policies, develop a broker network, and collect the premiums. It sounds like a challenge — and it was. But it was also very satisfying — especially when you’re part of a company that is committed to you.”

Lindell says part of the appeal was being able to share in the success of the overall company. “Jerry Stephens was very much the creator of the RLI ESOP. It was an uncommon thing,” he says. “We were all partners in the success of RLI. The sky was the limit. **Everyone participated. We all shared in it year after year.**”

While Lindell found the personal financial rewards unmatched, the benefits of working for RLI were much more than money. “It was the opportunity I had to do something enjoyable for 20 years,” he says. “**There’s not another company that would have given me what RLI did — the autonomy, the opportunity to be creative.**”

Over the years, Lindell had good offers from other companies, but nothing could compare to RLI. “I can’t emphasize enough how unique this company is,” he says. “It’s remarkable. It’s singular. It’s more akin to the high-tech companies today in the way it treats its employees. This was a golden partnership. I’m grateful for the things it allowed me and our family to do.”

MARY MALSON

Mary Malson, who recently retired after nearly 25 years at RLI, has some words of advice for newcomers to the company: “If you leave here, you are absolutely nuts.”

Malson joined RLI as a part-time secretary nearly 25 years ago. She retired in 2006 as an

executive secretary at the young age of 55 with benefits that will allow her to truly enjoy her retirement.

“I had never even heard of an ESOP company before I joined RLI,” she says. “I just knew that RLI was a great company to work for. I was surprised 24 years ago at the part-time salary — and was even more pleased with the full-time salary. **They reward people appropriately because they want you to stay.**”

“I wouldn’t be retiring at age 55 if I hadn’t worked here,” she says. “The ESOP and all the benefits were just outstanding.”

Unfortunately, Malson had the opportunity to experience firsthand the company’s health benefits when she suffered a serious illness. “If that had happened prior to my working at RLI, it definitely would have been a big financial burden,” she says. “I was able to focus on getting well and not have to worry about how we were going to pay the medical bills.”

In addition to the financial rewards, she enjoyed the RLI atmosphere, where people take pride in working for the company they own — and they are acknowledged for their performance. “**We all get recognition for our hard work, and that’s great.**”

“I just can’t say enough good things about RLI,” Malson continues. “They’re doing an

>bottom: Recent retiree Mary Malson looks forward to spending more time with her granddaughters.



outstanding job for everyone who works here.”

After a three-week vacation in Hawaii, Malson and her husband will settle into retirement. Malson loves to travel, work in her garden, and spend time with her five grandchildren — all who live nearby.

“I’ve been really blessed to work at RLI,” she says. “This company made it possible for me to be able to now enjoy these things I love.”

9. LOOK AHEAD.

2006 was a great year. Thanks to our adherence to the principles that drive our success, we've accomplished great things. We're proud of our employees and the work they've done and we offer our congratulations. But we haven't gotten where we are today by resting on our past accomplishments. As we look ahead, we see there's more work to be done.

MIKE STONE FOCUSES ON THE FUTURE

Mike Stone, president and COO, is responsible for coordinating RLI's growth strategy — expanding existing products, starting new ones, and acquiring other companies. His vision supports RLI's renewed focus on profitable growth.



photo: Mike Stone is looking for people with great ideas and entrepreneurial zeal to help RLI grow.

“Our No.1 goal remains finding talented underwriters to develop and lead product areas,” Stone says. “We want new people to join this exclusive club of talented product leaders.”

Aaron Jacoby, vice president, corporate development, wants to get the message out that RLI is a “destination of choice” for underwriters. But not just any underwriter will find RLI the right fit. **“It takes a special kind of person, with the drive and vision to think beyond the next account, to be successful at RLI. They must be able to set up the business, take responsibility for it, be accountable — and then reap the rewards.”**

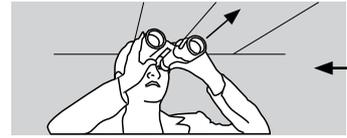
Growth will be both organic and inorganic; that is, expanding the existing product line and taking on new lines. Not all product lines fit within the RLI business model — a model that has been successful for decades and will

not change. RLI will continue to focus on specialty products that are overlooked by the general marketplace.

RLI has a demonstrated history of starting and growing new products. Examples include the early specialty products of general liability and commercial property in the early 1980s, the additions of transportation and surety in the 1990s, and most recently, RLI Marine in 2005.

The future also will mean leveraging information technology — taking advantage of IT for internal purposes as well as using it as a means to provide greater support for underwriters, brokers and agents, and our customers themselves.

“RLI is an extraordinary opportunity for people,” Jacoby says. **“People join RLI for the chance to run a business outside the typical corporate environment.**



>top: Aaron Jacoby's responsibilities include focusing on future growth opportunities for RLI.

We're a group of talented, empowered people who have access to great products and the leading technology. We want people to say, 'That's the kind of place I want to work.'

► UNDERWRITING — THE RLI WAY

In 2006, RLI began a training program designed to teach new underwriters “the RLI way.” While hiring underwriters with many years of experience will continue to be the RLI goal, the company also recognizes the competition for talent and started this program in reaction to the growing demand for underwriting excellence.

“We've always hired experienced underwriters — and we still plan to,” says Mike Stone, president and COO. “But we realize the need to provide some training that young people may not be getting at school or in the marketplace. That's what this program is about.”

“We're looking for people who are aggressive, competitive, but still capable of being part of a team,” says program coordinator Frank Clairmont, manager, target markets and insurance training. “We want them to learn the basics of insurance and the basics of underwriting the RLI way.”

REVIEW OF OPERATIONS

RLI INSURANCE GROUP

In general, we have experienced continued softening in the marketplace over the last three years. While the year did show moderate growth overall, the property segment saw significant premium increases through the first three quarters of 2006 as rates were up markedly in catastrophe-prone areas. Underwriting income was up considerably in our insurance operations. The casualty segment posted similar results to those of 2005 while the property segment benefited from a light hurricane season and reported underwriting income, compared to a loss in 2005. The surety segment continued its trend of growing profitability by more than doubling the 2005 result. The following table and narrative provide a more detailed look at individual segment performance over the last three years.

Gross premiums written (in thousands)	2006	2005	2004
Casualty	\$506,887	\$519,115	\$519,817
Property	225,610	176,228	178,625
Surety	66,516	60,669	54,146
Total	\$799,013	\$756,012	\$752,588
Underwriting income (loss) (in thousands)			
Casualty	\$ 68,393	\$ 72,024	\$ 19,560
Property	4,988	(8,342)	20,400
Surety	10,675	5,201	(69)
Total	\$ 84,056	\$ 68,883	\$ 39,891
Combined ratio			
Casualty	80.4	80.0	94.7
Property	95.9	110.3	79.2
Surety	82.1	90.0	100.2
Total	84.1	86.0	92.2

Casualty

Casualty gross premiums written were down 2 percent in 2006 while virtually flat from 2004 to 2005. Only the umbrella and executive product coverages experienced growth while all other lines were down by varying degrees as marketplace conditions for this segment continued to soften. Despite competitive pressures, we remained disciplined in writing only those accounts which we believe will provide adequate returns. This soft marketplace is likely to continue suppressing premium growth in 2007.

The 80.4 combined ratio for the casualty segment in 2006 was almost unchanged from the 2005 measure of 80.0. In each of these years, actuarial studies indicated that cumulative experience attributable to some

casualty coverages for mature accident years were considerably lower than the reserves booked. Therefore, reserves were released in the amounts of \$39.3 million and \$51.8 million for 2006 and 2005, respectively. While we had been experiencing robust price improvements in this segment the last several years, we also produced significant new business with new exposures. Our reserving evaluation process requires adequate time periods to elapse to assess the impact of such changes in marketplace conditions on our book of casualty business.

Property

Gross premiums written in the property segment rose 28 percent in 2006 compared to declines of 1 percent in 2005 and 8 percent in 2004. The turnaround occurred as a result of considerable rate increases in hurricane and earthquake-prone areas while our actual exposure to these events declined. Additionally, the marine division that launched in 2005 contributed increased gross premiums written of \$16.2 million in 2006. In 2005, we experienced a significant decline in our construction coverage, which we exited during the fourth quarter of that year. Earthquake coverage premiums had dropped in 2005 as we focused on reducing our exposure. Segment revenues for 2005 decreased disproportionately as we incurred charges of approximately \$10.0 million to meet minimum reinsurance premium requirements as well as to reinstate reinsurance coverage exhausted by loss activity on our construction coverage. Revenue bounced back in 2006, increasing by 52 percent.

Underwriting income was \$5.0 million in 2006 compared to a loss of \$8.3 million in 2005 and income of \$20.4 million in 2004. Although we experienced a light hurricane season in 2006, other catastrophe losses such as tornadoes and hailstorms, along with increased severity of commercial fire losses, served to hamper the segment's profitability. Favorable loss reserve development from the two prior years' hurricane reserves contributed \$4.2 million to profits in 2006. However, additional charges were incurred from the run-off of the previously exited construction coverage, which amounted to \$13.7 million this year compared to charges of \$13.5 million in 2005. The 2005 results were affected by the second straight year of severe hurricane activity, which negatively impacted the segment by \$22.3 million. While the property charge in 2004 from hurricane activity was \$10.1 million, there was some favorable development of those reserves in 2005 which provided a benefit of \$2.2 million.

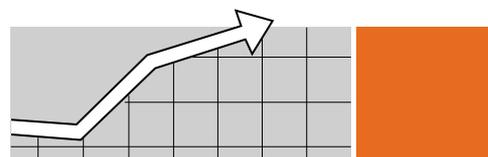
Surety

Surety gross premiums written increased for the third straight year. As was the case in 2005, all the major coverages in this segment produced increases in 2006. Total segment revenue followed suit, improving by 15 percent in 2006 compared to 9 percent and 3 percent in 2005 and 2004, respectively.

Underwriting income more than doubled in the surety segment in 2006, totaling \$10.7 million compared to \$5.2 million in 2005. These results reflect the benefit of re-underwriting efforts initiated during 2003 and 2004. Favorable development on prior accident years' loss reserves resulted in a benefit of \$2.6 million in 2006 and \$2.1 million in 2005.

NET INVESTMENT INCOME AND REALIZED INVESTMENT GAINS

During 2006, net investment income increased by 16 percent due to continued positive operating cash flow. On an after-tax basis, net investment income increased by 14 percent. Operating cash flows were



\$171.8 million in 2006, compared to \$198.0 million in 2005, and \$189.0 million in 2004. The average annual yields on our investments were as follows for 2006, 2005, and 2004:

	2006	2005	2004
Pretax yield			
Taxable (on book value)	5.22%	4.90%	4.92%
Tax-exempt (on book value)	4.02%	3.98%	4.10%
Equities (on market value)	2.78%	2.80%	3.26%
After-tax yield			
Taxable (on book value)	3.40%	3.19%	3.20%
Tax-exempt (on book value)	3.81%	3.77%	3.88%
Equities (on market value)	2.39%	2.40%	2.79%

The after-tax yield reflects the different tax rates applicable to each category of investment. Our taxable bonds are subject to our corporate tax rate of 35 percent, our tax-exempt municipal bonds are subject to a tax rate of 5 percent, and our dividend income is generally subject to a tax rate of 14 percent. During the year, we focused on purchasing high-quality investments, including U.S. government and agency securities, municipal bonds, mortgage-backed securities, and asset-backed securities, primarily in the 5-15 year range of the yield curve.

INTEREST AND GENERAL CORPORATE EXPENSE

Interest on debt fell 8 percent as short-term obligations were paid off during the year. While debt interest was basically flat in 2005, the 2004 increase resulted from the issuance of \$100 million in 10-year maturity senior notes in December 2003. Decisions regarding future short-term debt management will be based on available cash flow and the interest rate environment. General corporate expenses tend to fluctuate relative to our executive compensation plan and have increased in each of the last three years due to strong operating results. This model measures comprehensive earnings against a minimum required return on our capital. Additionally, legal fees, director fees, and travel rose since 2003.

INVESTEE EARNINGS

We maintain a 40 percent interest in Maui Jim Inc. (Maui Jim), primarily a manufacturer of high-quality polarized sunglasses. Maui Jim's chief executive officer owns a controlling majority of the outstanding shares of Maui Jim. In 2006 we recorded \$8.8 million in earnings from this investment compared to \$8.4 million in 2005 and \$5.0 million in 2004. The upward trend over the last two years is the result of improved operating performance. Also included in this caption were \$6.3 million, \$2.5 million and \$0.5 million in earnings over the last three years from our investment in Taylor, Bean & Whitaker Mortgage Corp. (TBW). During the fourth quarter of 2004, we converted warrants to common stock in this private mortgage origination company, which increased our ownership interest to 21 percent. Prior to the conversion, earnings from this ownership were reflected in net investment income. In the fourth quarter of this year, we sold our equity in TBW for \$32.5 million resulting in a pretax realized gain of \$16.2 million.

INCOME TAXES

Our effective tax rates were 28 percent, 26 percent, and 27 percent for 2006, 2005, and 2004, respectively. Effective rates are dependent upon components of pretax earnings and the related tax effects. The effective rate for 2006 was higher than 2005 and 2004 due to the increase in underwriting income and net realized gains, which were taxed at 35 percent. Partially offsetting this increase, results for 2006 included the favorable resolution of a recent tax examination of our tax years 2000 through 2004. As a result of this exam, we

recorded a \$3.2 million tax benefit, resulting from a change in tax estimate related to the sale of assets. In 2006 and 2005, a tax benefit was realized associated with a dividend declared and payable in 2007 and 2006, respectively, from an unconsolidated investee, Maui Jim. As required under Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes," the gain reflects the tax benefit of applying the lower tax rate applicable to affiliated dividends (7 percent) as compared to the corporate capital gains tax rate (35 percent) on which previous tax estimates were based. In addition, our pretax earnings in 2006 included \$28.7 million of investment income that is wholly or partially exempt from federal income tax, compared to \$28.2 million and \$25.2 million in 2005 and 2004, respectively.

OUTLOOK FOR 2007

Our insurance marketplace, and in particular the excess and surplus lines segment, is subject to cycles involving alternating periods of price increases ("hard markets") and price decreases ("soft markets"). Pricing in the overall insurance marketplace has been on the decline for the past several years. We expect this trend to continue, although each of our insurance segments will likely be impacted by varying degrees. We also expect to see some organic growth in 2007 and underwriting income in all three of our insurance segments absent any major catastrophe. Specific details regarding events in our insurance segments follow.

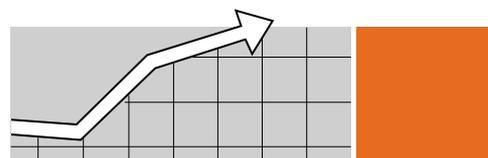
Casualty - We expect the price softening seen in 2006 to continue in 2007. We will maintain our profit-focused strategy and look to broaden our production sources and product offerings as a means to holding our market position and potentially growing this segment. Rising profitability and rising levels of capital for the industry will serve to intensify competition for this segment. We look to our ability to exercise underwriting discipline and select quality risks to continue our profitability in 2007.

Property - The industry took advantage of a quiet Atlantic hurricane season to rebuild capital depleted by hurricane events in 2005. We believe property pricing will soften, but not to pre-Katrina levels. Pricing actions will be tempered by greater rating agency focus on catastrophe claims-paying ability. We expect to continue to see premium growth and favorable loss experience in this segment in 2007. Our marine business should continue to grow moderately, while we expect losses from our run-off construction book to stabilize.

Surety - The surety segment, like our other segments, should feel the pressure of a softening marketplace. The steps we have taken over the past several years to address loss experience, coupled with a strong staffing model aided by decision support tools, point to continued profitability in 2007.

Investments - Within our investment portfolio, we expect to continue to increase investment income as the balance of our portfolio grows from operating and investing cash flow. Interest rates for bonds with maturities of greater than five years, where a majority of our fixed income portfolio is concentrated, have remained relatively stable in the last couple of years, although they are below the historical average. If interest rates increase, we will be able to invest our cash flow into higher-yielding investments which would improve investment income. However, rising interest rates will depress the fair value of our bond portfolio which will negatively impact comprehensive earnings and book value. Twenty percent of our portfolio is invested in common stocks. We expect the dividend income on these stocks to grow and the value of this portfolio will be dictated by the performance of the general stock market, which is difficult to predict.

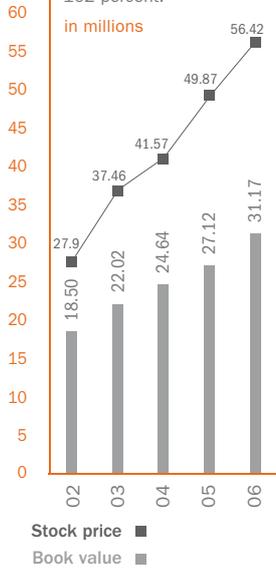
To view our comprehensive financial information, please refer to our 2006 financial report.



VISUAL REVIEW OF OPERATIONS

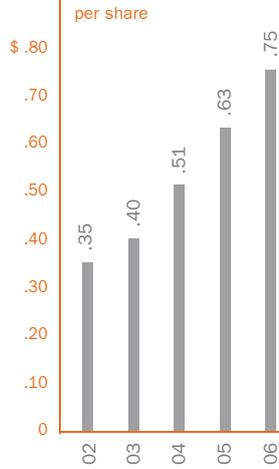
BOOK VALUE AND STOCK PRICE GROWTH

Over the last five years, book value has grown 68 percent and our stock price has risen 102 percent.



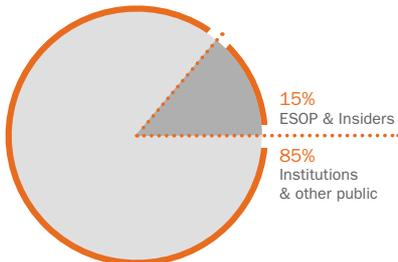
DIVIDENDS PER SHARE

RLI has paid and increased dividends for 31 straight years.



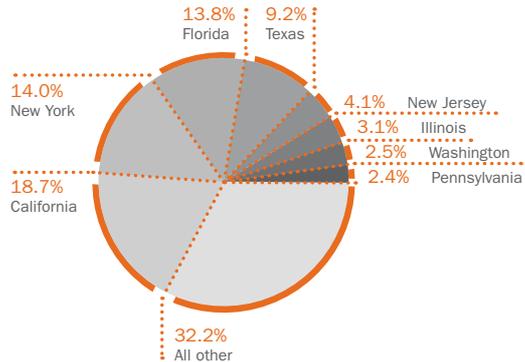
INSIDER OWNERSHIP

Fifteen percent of RLI stock is owned by 724 RLI associates and other insiders.



PREMIUM BY STATE

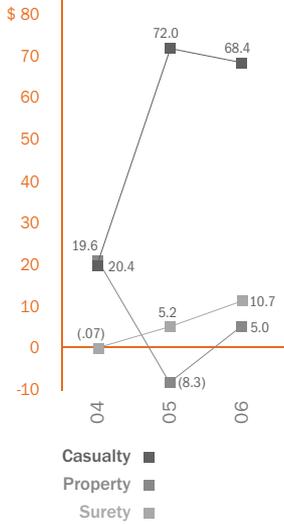
RLI operates in every state. Here are the top eight.



SEGMENT PROFITS

Our three segments generated \$84.1 million in 2006 underwriting profit.

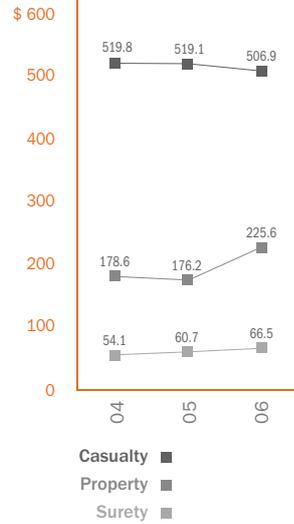
in millions



SEGMENT PREMIUMS

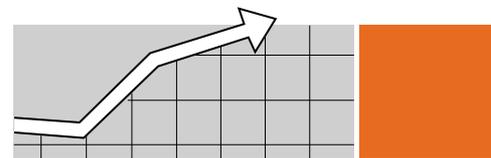
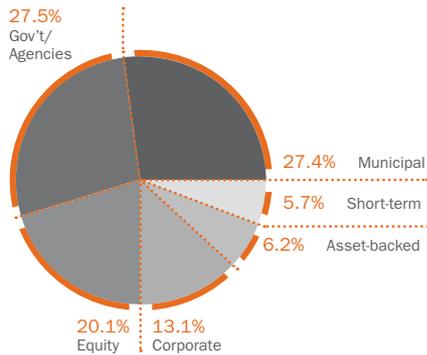
Overall gross premiums written remained relatively flat.

in millions



INVESTMENT PORTFOLIO

Our investment portfolio is well diversified to both minimize risks and maximize long-term returns.



VISUAL REVIEW OF OPERATIONS, CONT.

	COVERAGES	CUSTOMERS	COMPETITORS
CASUALTY	<p>Commercial automobile, commercial general liability, commercial umbrella/excess liability, deductible buy-back, directors and officers liability, employers indemnity, employment practices liability, fiduciary liability, @Home business owners, labor management trust, miscellaneous professional liability, motor truck cargo, personal umbrella liability, private and non-profit liability, products liability, and programs.</p>	<p>Our casualty insureds include habitational accounts, small non-profits, multinational and national corporations, personal lines accounts such as personal umbrella customers nationwide, commercial contracting risks, and transportation fleets.</p>	<p>Competitors vary by product, but generally include St. Paul/Travelers, Scottsdale Insurance, Lexington Insurance Company, General Star, Great West Casualty, AIG, CNA, and Chubb.</p>
PROPERTY	<p>All risk, commercial property, commercial earthquake, difference in conditions, fire and associated perils, homeowners insurance, inland marine, and marine cargo, hull, and other liabilities.</p>	<p>Our commercial property insureds include smaller business owners to large companies with a wide range of customers. Personal lines insureds involve Hawaii homeowners and renters, as well as home-based businesses nationwide. Marine insureds are shipping operations, including vessels and land facilities.</p>	<p>Competitors vary by product, but generally include Lexington Insurance Company, ARCH Insurance Company, St. Paul/Travelers, General Star, MOAC, AIG, and Fireman's Fund in commercial lines. Hawaii competitors include First Insurance Company.</p>
SURETY	<p>Commercial bonds, contract bonds, court bonds, federal bonds, fidelity bonds, license and permit bonds, notary bonds, energy-related bonds, probate bonds, and public official bonds.</p>	<p>Surety principals include individuals, contractors, small business owners, small to large corporations, and businesses operating in the energy, petrochemical, and refining industries.</p>	<p>Competitors vary by product, but generally include ACE, SAFECO, CNA Surety, and St. Paul/Travelers.</p>

DISTRIBUTION CHANNELS

	retail agent/broker	wholesale broker	general agency
Executive products	■	■	
General liability		■	
Commercial and personal umbrella	■	■	■
Programs	■		■
Transportation	■		

GROSS PREMIUMS WRITTEN

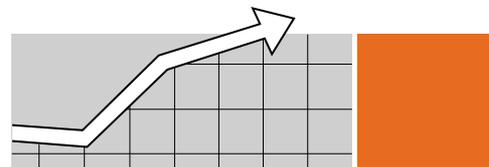
	in millions	% change		loss ratio	exp ratio	combined
General liability	\$194.7	(4.5)	2006	51.1	29.3	80.4
Commercial and personal umbrella	101.9	3.3	2005	50.6	29.4	80.0
Transportation	77.1	(3.0)	2004	67.3	27.4	94.7
Exec. products	66.9	10.7	2003	72.1	26.3	98.4
Programs	31.7	(17.9)	2002	70.8	29.6	100.4
Other	34.6	(9.3)				
TOTAL	\$506.9	(2.4)				

	retail agent/broker	wholesale broker	general agency
Earthquake		■	
E&S Property		■	
Personal lines	■		■
Marine	■	■	

	in millions	% change		loss ratio	exp ratio	combined
Commercial fire	\$ 110.2	29.7	2006	56.0	39.9	95.9
Earthquake/DIC	70.9	31.8	2005	68.7	41.6	110.3
Marine	28.7	129.9	2004	42.6	36.6	79.2
Other	15.8	(36.8)	2003	30.1	33.7	63.8
TOTAL	\$225.6	28.0	2002	33.9	38.7	72.6

	retail agent/broker	wholesale broker	general agency
Contract bonds	■		
Commercial bonds	■		
Miscellaneous bonds	■		
Oil & gas bonds	■		

	in millions	% change		loss ratio	exp ratio	combined
Miscellaneous	\$ 21.3	7.5	2006	17.3	64.8	82.1
Energy	16.1	5.0	2005	27.6	62.4	90.0
Commercial	16.5	22.4	2004	38.5	61.7	100.2
Contract	12.8	16.1	2003	50.2	64.0	114.2
Other	(0.2)	(115.2)	2002	50.5	65.5	116.0
TOTAL	\$66.5	9.6				



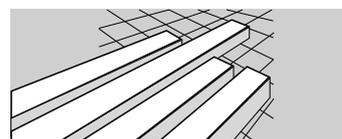
CONSOLIDATED BALANCE SHEETS

The summary financial statements are excerpted from the audited 2006 RLI Corp. Financial Report.

In thousands, except share data	Years ended December 31	2006	2005
Assets			
Investments:			
Fixed maturities:			
Available-for-sale, at fair value (amortized cost – \$1,240,020 in 2006 and \$1,189,408 in 2005)		\$ 1,234,571	\$ 1,181,636
Held-to-maturity, at amortized cost (fair value – \$108,730 in 2006 and \$138,902 in 2005)		106,310	134,451
Trading, at fair value (amortized cost – \$15,125 in 2006 and \$15,465 in 2005)		14,960	15,312
Equity securities available-for-sale, at fair value (cost – \$201,443 in 2006 and \$186,417 in 2005)		368,195	321,096
Short-term investments, at cost which approximates fair value		104,205	45,296
Total investments		1,828,241	1,697,791
Cash		–	–
Accrued investment income		18,628	16,974
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of \$21,620 in 2006 and \$19,987 in 2005		126,021	126,894
Ceded unearned premiums		97,596	114,668
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of \$16,806 in 2006 and \$18,605 in 2005		525,671	593,209
Deferred policy acquisition costs, net		73,817	69,477
Property and equipment, at cost, net of accumulated depreciation of \$38,060 in 2006 and \$35,306 in 2005		20,590	20,859
Investment in unconsolidated investees		36,667	54,340
Goodwill, net of accumulated amortization of \$4,700 in 2006 and 2005		26,214	26,214
Other assets		17,851	15,444
Total assets		\$ 2,771,296	\$ 2,735,870

—continued

	Years ended December 31	2006	2005
Liabilities and shareholders' equity			
Liabilities:			
Unpaid losses and settlement expenses	\$ 1,318,777	\$ 1,331,866	
Unearned premiums	387,811	383,683	
Reinsurance balances payable	85,046	97,526	
Notes payable, short-term debt	—	15,541	
Income taxes — current	8,318	4,425	
Income taxes — deferred	27,069	22,717	
Bonds payable, long-term debt	100,000	100,000	
Other liabilities	87,755	87,171	
Total liabilities	2,014,776	2,042,929	
Shareholders' equity:			
Common stock (\$1 par value, authorized 50,000,000 shares, issued 31,689,740 shares in 2006 and 31,344,058 shares in 2005)	31,690	31,344	
Paid-in capital	187,632	181,794	
Accumulated other comprehensive earnings net of tax	105,145	82,785	
Retained earnings	594,147	478,043	
Deferred compensation	7,744	7,735	
Treasury stock, at cost (7,416,762 shares in 2006 and 5,792,753 shares in 2005)	(169,838)	(88,760)	
Total shareholders' equity	756,520	692,941	
Total liabilities and shareholders' equity	\$ 2,771,296	\$ 2,735,870	



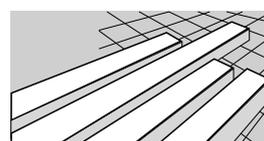
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

The summary financial statements are excerpted from the audited 2006 RLI Corp. Financial Report.

In thousands, except share data	Years ended December 31	2006	2005	2004
Net premiums earned		\$ 530,338	\$ 491,307	\$ 511,348
Net investment income		71,325	61,641	54,087
Net realized investment gains		31,045	16,354	13,365
Consolidated revenue		632,708	569,302	578,800
Losses and settlement expenses		256,889	251,170	306,131
Policy acquisition costs		145,776	136,058	134,595
Insurance operating expenses		43,617	35,196	30,731
Interest expense on debt		6,581	7,118	6,894
General corporate expenses		8,069	6,780	5,536
Total expenses		460,932	436,322	483,887
Equity in earnings of unconsolidated investees		15,117	10,896	5,429
Earnings before income taxes		186,893	143,876	100,342
Income tax expense (benefit):				
Current		59,942	40,481	32,495
Deferred		(7,688)	(3,739)	(5,189)
Income tax expense		52,254	36,742	27,306
Net earnings		\$ 134,639	\$ 107,134	\$ 73,036
Other comprehensive earnings (loss), net of tax				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period		\$ 32,011	\$ (12,594)	\$ 16,871
Less: Reclassification adjustment for gains included in net earnings		(9,651)	(10,638)	(8,553)
Other comprehensive earnings (loss)		22,360	(23,232)	8,318
Comprehensive earnings		\$ 156,999	\$ 83,902	\$ 81,354

—continued

	Years ended December 31	2006	2005	2004
Earnings per share:				
Basic				
Net earnings per share		\$5.40	\$4.21	\$2.90
Comprehensive earnings per share		\$6.30	\$3.30	\$3.23
Diluted				
Net earnings per share		\$5.27	\$4.07	\$2.80
Comprehensive earnings per share		\$6.14	\$3.19	\$3.12
Weighted average number of common shares outstanding:				
Basic		24,918	25,459	25,223
Diluted		25,571	26,324	26,093



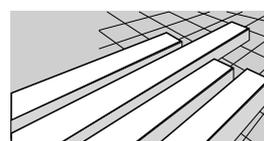
CONSOLIDATED STATEMENTS OF CASH FLOWS

The summary financial statements are excerpted from the audited 2006 RLI Corp. Financial Report.

In thousands	Years ended December 31	2006	2005	2004
Cash flows from operating activities				
Net earnings		\$ 134,639	\$ 107,134	\$ 73,036
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Net realized investment gains		(31,045)	(16,354)	(13,365)
Depreciation		3,503	3,228	3,033
Other items, net		5,783	11,311	10,738
Change in: Accrued investment income		(1,654)	(1,791)	(2,378)
Premiums and reinsurance balances receivable (net of direct write-offs and commutations)		873	19,773	6,193
Reinsurance balances payable		(12,480)	19,464	(14,320)
Ceded unearned premium		17,072	(13,221)	302
Reinsurance balances recoverable on unpaid losses		67,538	(129,029)	(92,132)
Deferred policy acquisition costs		(4,340)	(2,331)	(3,409)
Accounts payable and accrued expenses		3,005	9,693	2,411
Unpaid losses and settlement expenses		(13,089)	199,267	229,158
Unearned premiums		4,128	16,479	(437)
Income taxes: Current		6,823	(7,187)	4,460
Deferred		(7,688)	(3,739)	(5,189)
Stock option excess tax benefit		(2,930)	–	–
Changes in investment in unconsolidated investees: Undistributed earnings		(15,117)	(10,896)	(5,429)
Dividends received		16,500	–	–
Net loss (proceeds) from trading portfolio activity		254	(3,774)	(3,710)
Net cash provided by operating activities		\$ 171,775	\$ 198,027	\$ 188,962

–continued

In thousands	Years ended December 31	2006	2005	2004
Cash flows from investing activities				
Purchase of: Fixed maturities, held-to-maturity		\$ –	\$ (3,024)	\$ –
Fixed maturities, available-for-sale		(412,019)	(407,658)	(360,162)
Equity securities, available-for-sale		(139,462)	(73,519)	(58,675)
Short-term investments, net		(61,548)	–	(2,219)
Property and equipment		(4,590)	(10,538)	(4,051)
Note receivable		(5,000)	(6,000)	–
Proceeds from sale of: Fixed maturities, available-for-sale		231,385	149,724	108,088
Equity securities, available-for-sale		146,635	72,374	39,638
Short-term investments, net		–	38,506	–
Property and equipment		1,356	4,787	1,298
Investment in unconsolidated investee		32,499	–	–
Proceeds from call or maturity of: Fixed maturities, held-to-maturity		28,215	25,363	24,080
Fixed maturities, available-for-sale		117,204	55,578	71,814
Note receivable		2,000	1,500	3,000
Net cash used in investing activities		\$ (63,325)	\$ (152,907)	\$ (177,189)
Cash flows from financing activities				
Proceeds from issuance of short-term debt		\$ 35	\$214	\$366
Payment on short-term debt		(15,576)	(31,512)	(1,088)
Stock option excess tax benefit		2,930	–	–
Proceeds from stock option exercises		3,254	1,437	1,059
Treasury shares purchased		(81,069)	–	(10)
Cash dividends paid		(18,024)	(15,259)	(12,100)
Net cash used in financing activities		\$(108,450)	\$ (45,120)	\$ (11,773)
Net decrease in cash		–	–	–
Cash at beginning of year		–	–	–
Cash at end of year		\$ –	\$ –	\$ –



SELECTED FINANCIAL DATA

The following is selected financial data of RLI Corp. and Subsidiaries for the 11 years ended December 31, 2006.

Amounts in thousands, except per share data	2006	2005	2004	2003	2002
Operating Results					
Gross premiums written ⁽¹⁾	\$ 799,013	756,012	752,588	742,477	707,453
Consolidated revenue	\$ 632,708	569,302	578,800	519,886	382,153
Net earnings	\$ 134,639	107,134	73,036	71,291	35,852
Comprehensive earnings ⁽²⁾	\$ 156,999	83,902	81,354	97,693	13,673
Net cash provided from operating activities	\$ 171,775	198,027	188,962	191,019	161,971
Financial Condition					
Total investments	\$ 1,828,241	1,697,791	1,569,718	1,333,360	1,000,027
Total assets	\$ 2,771,296	2,735,870	2,468,775	2,134,364	1,719,327
Unpaid losses and settlement expenses	\$ 1,318,777	1,331,866	1,132,599	903,441	732,838
Total debt	\$ 100,000	115,541	146,839	147,560 ⁽⁷⁾	54,356
Total shareholders' equity	\$ 756,520	692,941	623,661	554,134	456,555 ⁽⁵⁾
Statutory surplus ⁽³⁾	\$ 746,905	690,547	605,967 ⁽⁷⁾	546,586 ⁽⁷⁾	401,269 ⁽⁵⁾
Share Information ⁽⁴⁾					
Net earnings per share:					
Basic	\$ 5.40	4.21	2.90	2.84	1.80
Diluted	\$ 5.27	4.07	2.80	2.76	1.75
Comprehensive earnings per share: ⁽²⁾					
Basic	\$ 6.30	3.30	3.23	3.89	0.69
Diluted	\$ 6.14	3.19	3.12	3.78	0.67
Cash dividends declared per share	\$ 0.75	0.63	0.51	0.40	0.35
Book value per share	\$ 31.17	27.12	24.64	22.02	18.50 ⁽⁵⁾
Closing stock price	\$ 56.42	49.87	41.57	37.46	27.90
Stock split					200%
Weighted average shares outstanding: ^{(5) (6)}					
Basic	24,918	25,459	25,223	25,120	19,937
Diluted	25,571	26,324	26,093	25,846	20,512
Common shares outstanding	24,273	25,551	25,316	25,165	24,681
Other Non-GAAP Financial Information ⁽¹⁾					
Net premiums written to statutory surplus ⁽³⁾	74%	72%	84%	87%	103%
GAAP combined ratio	84.1	86.0	92.2	92.0	95.6
Statutory combined ratio ⁽²⁾	84.0	86.7	93.8	93.1	92.4

(1) See page 2 of the 2006 financial report for information regarding non-GAAP financial measures.

(2) See note 1.M to the consolidated financial statements.

(3) 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.

(4) 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.

(5) 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.

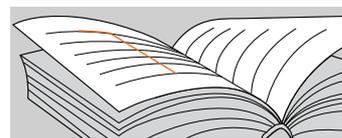
–continued

	2001	2000	1999	1998	1997	1996
	511,985	437,867	339,575	291,073	278,843	276,801
	309,354	263,496	225,756	168,114	169,424	155,354
	31,047	28,693	31,451	28,239	30,171	25,696
	11,373	42,042	20,880	51,758	66,415	41,970
	77,874	53,118	58,361	23,578	35,022	48,947
	793,542	756,111	691,244	677,294	603,857	537,946
	1,390,970	1,281,323	1,170,363	1,012,685	911,741	845,474
	604,505	539,750	520,494	415,523	404,263	405,801
	77,239	78,763	78,397	39,644	24,900	46,000
	335,432	326,654	293,069	293,959	266,552	200,039
	289,997	309,945	286,247	314,484	265,526	207,787
	1.58	1.46	1.55	1.34	1.45	1.30
	1.55	1.44	1.54	1.33	1.33	1.14
	0.58	2.14	1.03	2.46	3.19	2.13
	0.57	2.11	1.02	2.43	2.88	1.81
	0.32	0.30	0.28	0.26	0.24	0.22
	16.92	16.66	14.84	14.22	12.35	10.23
	22.50	22.35	17.00	16.63	19.93	13.35
				125%		
	19,630	19,634	20,248	21,028	20,804	19,742
	20,004	19,891	20,444	21,276	23,428	24,210
	19,826	19,608	19,746	20,670	21,586	19,554
	109%	84%	79%	46%	54%	64%
	97.2	94.8	91.2	88.2	86.8	87.4
	95.8	95.8	90.1	88.4	90.4	89.1

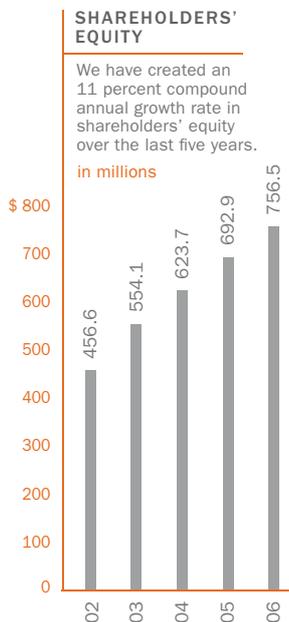
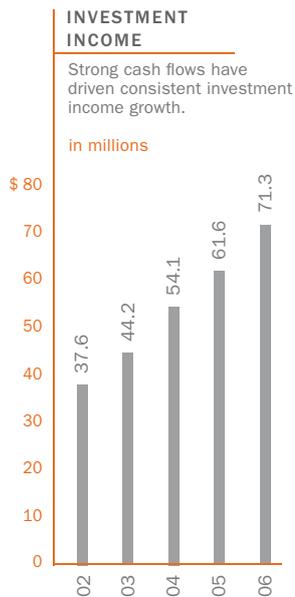
(6) In July 1993, we issued \$46.0 million of convertible debentures. In July 1997, these securities were called for redemption. This conversion created an additional 4.4 million new shares of RLI common stock.

(7) 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.



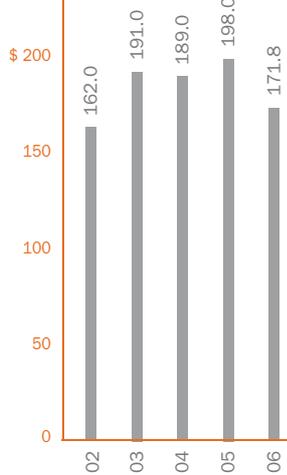
SELECTED FINANCIAL GRAPHS



CASH FLOWS FROM OPERATIONS

Strong performance has generated cumulative operating cash flows of \$911.8 million since 2001.

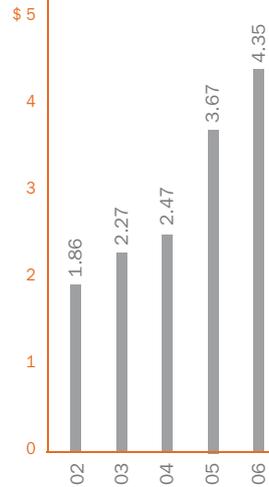
in millions



OPERATING EARNINGS PER SHARE

Operating earnings per share have risen 134 percent over the last five years.

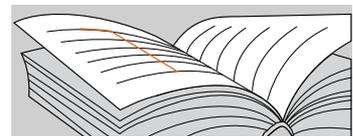
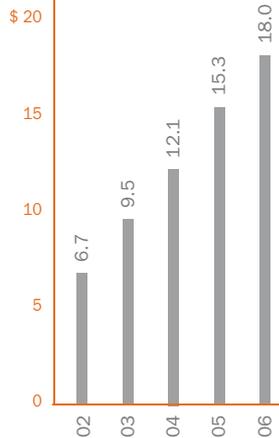
per share



CASH DIVIDENDS PAID

Over the last five years, RLI has paid a cumulative \$61.6 million in cash dividends to shareholders.

in millions



GLOSSARY

ADMITTED COMPANY An insurer domiciled in one state licensed to do business in one or more other states.

COMBINED RATIO (GAAP) A common measurement of underwriting profit (less than 100) or loss (more than 100). The sum of the expense and the loss ratios.

COMBINED RATIO (STATUTORY) The same as a GAAP combined ratio, except in calculating the expense ratio, the denominator used is net premiums written instead of net premiums earned.

COMPREHENSIVE EARNINGS The sum of net after-tax earnings and net after-tax unrealized gains (losses) on investments.

COMMERCIAL GENERAL LIABILITY INSURANCE Liability coverage for all premises and operations, other than personal, for non-excluded general liability hazards.

CONSOLIDATED REVENUE Net premiums earned plus net investment income and realized gains (losses).

DIFFERENCE IN CONDITIONS (DIC) INSURANCE Coverage for loss normally excluded in standard commercial or personal property policies, particularly flood and earthquake.

EXCESS INSURANCE A policy or bond covering against certain hazards, only in excess of a stated amount.

EXPENSE RATIO The percentage of the premium used to pay all the costs of acquiring, writing, and servicing business.

FIRE INSURANCE Property insurance on which the predominant peril is fire, but generally includes wind and other lines.

GAAP Generally accepted accounting principles.

HARD/FIRM MARKET When the insurance industry has limited capacity available to handle the amount of business written, creating a seller's market, driving insurance prices upward.

INLAND MARINE INSURANCE Property coverage for perils arising from transportation of goods or covering types of property that are mobile, and other hazards.

LOSS RATIO The percentage of premium used to pay for losses incurred.

MARKET CAP Short for market capitalization. The value of a company as determined by the market.

Multiply the share price by the number of outstanding shares. Can change daily.

MARKET VALUE POTENTIAL (MVP) An RLI incentive plan covering all employees that requires we first generate a return in excess of our cost of capital, aligning our interests with those of shareholders.

PROFESSIONAL LIABILITY INSURANCE Insures against claims for damages due to professional misconduct or lack of ordinary care in the performance of a service.

REINSURER/REINSURANCE A company that accepts part or all of the risk of loss covered by another insurer. Insurance for insurers.

RESERVES Funds set aside by an insurer for meeting estimated obligations when due. Periodically readjusted.

SOFT MARKET When the insurance industry has excess capacity to handle the amount of business written, creating a buyer's market, lowering insurance prices overall.

STANDARD LINES VS. SPECIALTY LINES Those insurance coverages or target market segments that are commonly insured through large, admitted insurers using standard forms and pricing are in contrast to unique insurance coverages or selected market niches that are served by only a single insurer or a select group of insurers, often with unique coverage forms and pricing approach.

SURETY BOND Provides for compensation if specific acts are not performed within a stated period.

SURPLUS LINES COMPANY In most states, an insurer not licensed to do business in that state, but which may sell insurance in the state if admitted insurers decline to write a risk.

TRANSPORTATION INSURANCE Coverage for transporting people or goods by land. For RLI, this involves motor vehicle transportation and focuses on automobile liability and physical damage, with incidental public liability, umbrella and excess liability, and motor truck cargo insurance.

UNREALIZED GAINS (LOSSES) The result of an increase (decrease) in fair value of an asset which is not recognized in the traditional statement of income. The difference between an asset's fair and book values.

INVESTOR INFORMATION

ANNUAL MEETING

The annual meeting of shareholders will be held at 2 p.m., CDT, on May 3, 2007, at the company's offices at 9025 N. Lindbergh Drive, Peoria, Ill.

TRADING AND DIVIDEND INFORMATION

2006	Stock Price			Dividends Declared
	High	Low	Close	
1st Quarter	\$57.35	\$50.65	\$57.30	\$.17
2nd Quarter	57.25	45.85	48.18	.19
3rd Quarter	51.62	45.16	50.79	.19
4th Quarter	57.41	49.75	56.42	.20

2005	Stock Price			Dividends Declared
	High	Low	Close	
1st Quarter	\$44.99	\$40.28	\$41.45	\$.14
2nd Quarter	46.80	40.73	44.60	.16
3rd Quarter	48.75	44.79	46.26	.16
4th Quarter	55.68	44.00	49.87	.17

RLI common stock trades on the New York Stock Exchange under the symbol RLI. RLI has paid and increased dividends for 31 consecutive years.

STOCK OWNERSHIP

December 31, 2006	Shares	%
Insiders	2,004,667	8.2
ESOP	1,713,298	7.1
Institutions & other public	20,555,013	84.7
Total outstanding	24,272,978	100.0

SHAREHOLDER INQUIRIES

Shareholders of record with requests concerning individual account balances, stock certificates, dividends, stock transfers, tax information, or address corrections should contact the transfer agent and registrar:

Wells Fargo Shareholder Services
 P.O. Box 64854
 St. Paul, MN 55164-0854
 Phone: (800) 468-9716 or (651) 450-4064
 Fax: (651) 450-4033
 E-mail: stocktransfer@wellsfargo.com

DIVIDEND REINVESTMENT PLANS

If you wish to sign up for an automatic dividend reinvestment and stock purchase plan or to have

your dividends deposited directly into your checking, savings or money market accounts, send your request to the transfer agent and registrar.

REQUESTS FOR ADDITIONAL INFORMATION

Electronic versions of the following documents are, or will be made, available on our Web site: 2006 summary annual report; 2006 financial report; 2007 proxy statement; annual report on form 10-K; code of conduct, corporate governance guidelines; and charters of the executive resources, audit, finance and investment, strategy, and nominating/corporate governance committees. Printed copies of these documents are available without charge to any shareholder. To be placed on a mailing list to receive shareholder materials, contact our corporate headquarters.

COMPANY FINANCIAL STRENGTH RATINGS

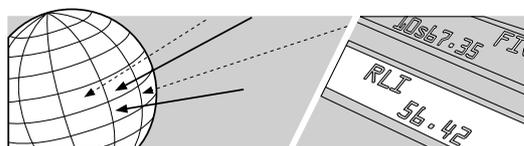
A.M. Best:	A+ (Superior)	RLI Group
Standard & Poor's:	A+ (Strong)	RLI Insurance Company
	A+ (Strong)	Mt. Hawley Insurance Company
Moody's:	A2 (Good)	RLI Insurance Company
	A2 (Good)	Mt. Hawley Insurance Company
	A2 (Good)	RLI Indemnity Company

CONTACTING RLI

For investor relations requests and management's perspective on specific issues, contact John Robison, treasurer, at (309) 693-5846 or at john_robison@rlicorp.com.

Turn to the back cover for corporate headquarters contact information.

Find comprehensive investor information at www.rlicorp.com.



COMPANY LEADERS

EXECUTIVE TEAM



¹**SETH A. DAVIS, CFA, CIA, CPCU**
Vice President, Internal Audit (2, 3, 4)
Industry experience: 11 years
Joined RLI in 2004. Positions include: manager, internal audit. Promoted to current position in 2005.

²**CAROL J. DENZER**
Chief Information Officer (2, 3, 4)
Industry experience: 21 years
Joined RLI in 1987. Positions include: accounting and reinsurance, AVP and VP of reinsurance and catastrophe management. Promoted to current position in 2006.

³**JOSEPH E. DONDANVILLE, CPA**
Sr. Vice President, CFO (1, 2, 3, 4)
Industry experience: 29 years
Joined RLI in 1984. Positions include: chief accountant, controller and VP. Promoted to current position in 2002. Also serves as Director of Maui Jim, Inc.

⁴**DONALD J. DRISCOLL**
Vice President, Claim (2, 3, 4)
Industry experience: 21 years
Joined RLI in 1996. Positions include: director of coverage and casualty claims and AVP. Promoted to current position in 2000.

⁵**JEFFREY D. FICK**
Vice President,
Human Resources (1, 2, 3, 4)
Industry experience: 2 years
Joined RLI in 2005 in current position.

⁶**AARON H. JACOBY**
Vice President,
Corporate Development (1, 2, 3, 4)
Industry experience: 5 years
Joined RLI in 2001. Positions include: director of corporate development. Promoted to current position in 2004.



⁷**DANIEL O. KENNEDY**
Vice President, General Counsel (1, 2, 3, 4), Corporate Secretary (1)
Industry experience: 2 years
Joined RLI in 2006 in current position.

⁸**CRAIG W. KLIETHERMES, FCAS, MAAF, CPCU**
Vice President, Actuarial and Risk Services (2, 3, 4)
Industry experience: 22 years
Joined RLI in 2006 in current position.

⁹**ANDREW B. MCCRAY**
Vice President, Home Office Underwriting (2, 3, 4)
Industry experience: 22 years
Joined RLI in 2006 in current position.

¹⁰**JONATHAN E. MICHAEL**
President & CEO (1)
Chairman & CEO (2, 3, 4)
Industry experience: 30 years
Joined RLI in 1982. Positions include: controller, vice president of finance and CFO, executive vice president, president and CEO/COO of principal insurance subsidiaries.

¹¹**JOHN E. ROBISON**
Treasurer (1, 2, 3, 4)
Industry experience: 16 years
Joined RLI in 2004 in current position.

¹²**MICHAEL J. STONE**
President & COO (2, 3, 4)
Industry experience: 37 years
Joined RLI in 1996. Positions include: vice president, claim; senior VP and executive VP. Promoted to current position in 2002.

1: RLI Corp. 2: RLI Insurance Company
 3: Mt. Hawley Insurance Company
 4: RLI Indemnity Company

¹BARBARA R. ALLEN (1, 5)

Director since 2006. President of Proactive Partners, a division of Tennis Corporation of America — Professional Services. Former marketing & executive management leader with Quaker Oats Co. Current director of Lance, Inc., and former director for Maytag Corp., Tyson Foods, Converse, and Charthouse, Inc.

²JOHN T. BAILY (2, 3)

Director since 2003. Retired National Insurance Industry chairman and partner for Coopers & Lybrand LLP, now PricewaterhouseCoopers. President of Swiss Re Capital Partners 1999-2002. Current director of Endurance Specialty Holdings, Ltd., Erie Indemnity Co., NYMAGIC, Inc., and Albright College.

³RICHARD H. BLUM (3, 4, 5)

Director since 2000. Previously chairman of AXIS Specialty U.S. Holdings, Inc. (Feb 2002-Jan. 2006). Was senior advisor to Marsh & McLennan Companies, Inc. (MMC), a professional services firm in risk and insurance services, investment management, and consulting. Former director of MMC, vice chairman of J&H Marsh & McLennan, and chairman & CEO of Guy Carpenter & Company, Inc.

⁴JORDAN W. GRAHAM (4, 5)

Director since 2004. Managing director, North American business development with a division of Citigroup's corporate and investment bank. Former vice president of Cisco Systems, Inc.'s Services Industry Consulting, providing executive advisory and strategy consulting to insurance and financial services industries. Former director of Securitas Capital, LLC, which invested in insurance and risk related ventures. Current director of Technology Credit Union and Goldspark, Inc.

⁵GERALD I. LENROW, ESQ. (2, 3)

Director since 1993. Former consultant to General Reinsurance Corp., a partner in Coopers & Lybrand LLP, now PricewaterhouseCoopers. In private law practice, providing consultation services to members of the insurance industry since 1999. Well-known authority on insurance, widely published, has spoken before most industry groups.

⁶CHARLES M. LINKE (1, 4, 5)

Director since 2003. Professor emeritus of finance at the Univ. of Illinois (Urbana-Champaign). CEO of Economics, Et Cetera, Inc., a financial economics consulting firm.

⁷F. LYNN MCPHEETERS (2, 3)

Director since 2000. Retired in Feb. 2005 as vice president & CFO of Caterpillar Inc. Held various finance positions, including corporate treasurer, before becoming a Caterpillar vice president in 1998. Member of the Southern Illinois Univ. College of Business and Administration's External Advisory Board, the Southern Illinois Univ. Foundation Board, and The First United Methodist Church of Peoria Foundation Board.

⁸JONATHAN E. MICHAEL (4, 5)

Director since 1997. President & CEO of RLI Corp. and chairman & CEO of its principal subsidiaries, member of PCI board of governors, director of Maui Jim, Inc., and Fieldstone Investment Corp.

⁹GERALD D. STEPHENS, CPCU (4)

Director since 1965. Chairman of the board since 2001. Company founder, former president & CEO of RLI Corp. Member of the executive committee of the American Institute of CPCU board. Serves as chairman of the board of Maui Jim, Inc. Former president of the National Society of CPCU.

¹⁰EDWARD F. SUTKOWSKI, ESQ. (1, 4)

Director since 1975. President of Sutkowski & Rhoads Ltd., a firm engaged in tax, fiduciary litigation, pension, and ERISA law. Outside general counsel from 1975-2002. Adjunct professor at the Univ. of Illinois College of Law. Executive limited partner, Pfingsten Executive Fund III, L.P. Member, advisory committee, North American Sports Media, L.L.C.

¹¹ROBERT O. VIETS, JD, CPA (1, 2)

Director since 1993. President of ROV Consultants, LLC. Retired president & CEO of CILCORP Inc., a holding company whose principal subsidiary was a utility company. Chairman of the board of Advanced Medical Transport of Central Illinois. Former chair of the Bradley Univ. board of trustees.

BOARD OF DIRECTORS



1: Executive Resources Committee 2: Audit Committee
3: Nominating/Corporate Governance Committee
4: Finance and Investment Committee 5: Strategy Committee

UNDERWRITING OFFICERS

CASUALTY

JAMES S. DAVIS

Vice President, Target Market Specialists
Industry experience: 31 yrs. (Dallas, TX)

DAVID A. DUNN

President, RLI Transportation
Industry experience: 30 yrs. (Atlanta, GA)

A. QUENTIN ORZA II

Vice President, Executive Products Group
Industry experience: 30 yrs. (Summit, NJ)

RICHARD W. QUEHL

Vice President, RLI Specialty Markets, Personal & Commercial Lines
Industry experience: 37 yrs. (Peoria, IL)

PAUL J. SIMONEAU

Vice President, Casualty Brokerage

Industry experience: 29 yrs. (Glastonbury, CT)

PROPERTY

KEVIN MCDONOUGH

Vice President, West Coast Property
Industry experience: 25 yrs. (Los Angeles, CA)

ROBERT J. SCHAUER

President, RLI Marine
Industry experience: 19 yrs. (New York, NY)

JEFFREY S. WEFER

Senior Vice President, E&S Property
Industry experience: 35 yrs. (Chicago, IL)

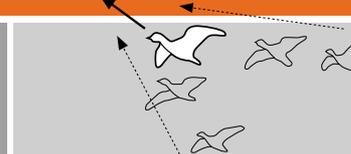
SURETY

ROY C. DIE

Vice President, Surety
Industry experience: 19 yrs. (Houston, TX)

DAVID C. SANDOZ

Vice President, Surety
Industry experience: 30 yrs. (Peoria, IL)



“THIS WAS A YEAR OF DELIVERING ON OUR PROMISES. That’s what an insurance policy is. It’s not just a bunch of words. It’s a promise that we’ll serve our customers, deliver commission checks, and pay claims. And, we’re doing it well. We’re a strong company with strong relationships that is positioning itself to do great things going forward.” –AN RLI EMPLOYEE OWNER

Heather Acerra	John Boylan	Steve Daugherty
Pat Ackman	Fred Boyle	Larry Davidson
Tyler Adams	Suzie Brantl	Bart Davis
Ed Adona	Cindy Brassfield	Craig Davis
Blake Ahrens	Jacob Braun	Jim Davis
Darleen Akau	Sue Bray	Seth Davis
Laura Alberti	Misty Brockett	Laura Dawson
Rick Albrecht	Jim Brockmeyer	Stephanie De Jesus
Lori Albright	Beverly Brooks-Ashley	Andrea Dean
Michele Alewine	Carly Brown	Jim Degnan
Leslie Algee	Kathy Brown	Rich Dely
Joni Allen	Steve Brown	Linda Demick
Alicia Alvidrez	Roger Broyhill	Jenny Denny
Angie Anderson	Mike Bruess	Carol Denzer
Eric Anderson	Todd Bryant	Courtney Determan
Kim Anderson	Keri Budde	Dianne DiBernardino
Lois Anderson	Mark Bugaieski	Roy Die
Michelle Anderson	Bill Burch	Meg Dixon
Steve Anderson	Pete Burdette	Cindy Dohm
Dawn Anglin	John Burke	Joe Dondanville
Betty Apke	Jeff Burton	Mike Donovan
Adora Armstrong	Ashley Bustinza	Bill Downing
Badette Arroyo	Chris Butler	Alex Doyle
Robert Aten	Bruce Byers	Dennis Drees
Mecit Atmaca	Kelly Byrd	Vickie Dries
Doris Attwood	Bonnie Cacho	Terry Driggs
Denise Austin	Susan Campbell	Don Driscoll
Brian Averell	Adam Cantu	Sue Droege
Jim Baalmann	Pete Carello	Linda Drone
Rod Backsmeier	Steve Cargill	Christine Dubia
Dennis Bagdon	John Carola	Linda Duchscher
Pat Baker	Joan Carr	Kevin Duffy
Ellen Balagna	Tom Carroll	Dave Dunn
Marie Balanquit	Kim Carter	Derek Dunnagan
Tracy Baldock	Diane Case	Dena Durand
Kellie Bane	Brian Casey	Ashley Durchholz
Sheila Bannister	Janet Castle	Elizabeth Durig
Neil Banwart	Terry Castle	Robbie Duxbury
Carla Barackman	Danny Castro	Chrissy Eaton
Rich Bargon	Steve Cave	Matthew Eckberg
Kay Bartley	Rochelle Chanda-Clark	Roger Ecoff
Tammy Barton	Kevin Chaney	Gwen Edgerson-Wilson
Anita Batey	Earle Chase	Dave Edwards
Lisa Batters	Saurabh Chaudhary	Kayleigh Edwards
Derek Bauer	JoAnn Childress	Wendy Edwards
Doug Baughman	Greg Chilson	Paul Eilers
Jamie Beckman	Dan Christianson	Ezhil Elakkumanan
Manny Bedi	Frank Clairmont	Robert Ellis
Patty Bengele	Cliff Clark	Patty Elsey
Bobbi Jo Bennett	Lisa Clark	Roger Emanuel
Vickie Bennett	Steve Clark	Kim English
Tina Benning	Brandy Clay	Belinda Ervin
Sandy Benson	Nathan Clay	Kate Eschmann
Chad Berberich	Sandy Clayton	Michael Escobar
Kelley Bernal	June Clifford	Rita Estes
Brad Bernier	Steve Cohen	David Eudowe
Dave Berry	Claude Cole	Ed Evans
Jennie Bishop	Nikki Collazo	Shy Evett
Samantha Bishop	Tom Colligan	Dustin Ewers
Molly Black	Geoff Collins	Toni Farmer
Barb Blackowicz	Scott Combs	John Fee
Erica Bland	Sheila Conroy	Tom Feeny
Karl Bloch	Katie Cook	Pat Ferrell
Bruce Blumberg	Alan Cooperman	Jeff Fick
Jackie Bockler	Chris Corhan	Rose Fields
Teresa Boehl	Brian Corless	Augie Filippone
Pat Bogner	Chris Cornelius	Peder Fjare
Joe Bostrom	Vic Corso	Brent Flanigan
Anita Boucher	Sharon Craig	Trista Flanigan
Michelle Bousek	Tammy Craig	Jim Flavion
	Sarah Cress	Karl Flower
	Nima Crotwell	Kenneth Floyd
	Regina Crowe	Ron Foglesong
	Nancy Cruz	Bob Fontana

Judy Foster	Dave Houck	Heather Lane	Andy Miller	Sherrí Prunier	Javier Silva
Jacqueline Francis	Amy Howarth	Randy Lange	Brooke Miller	Jerry Pursell	Dawn Silverthorn
Mike Frederick	Steve Hrabak	Anne Lanthier	Cheryl Miller	Dick Quehl	Paul Simoneau
Everett Fritz	Sheila Hubbard	Jim Latta	Chris Miller	Rachel Quillen	Charlie Simpkins
Lisa Fritz	Chris Hughes	Audree Lau	Donna Miller	Don Quirin	Bonnie Simpson
Mike Fritz	Lewis Hunt	Josefa Laurent	Joy Miller	Terry Rabenau	Jeri Sims
Maile Fuchshuber	Allan Ilias	Eric Lawler	Tammy Miller	J.R. Rambow	Lisa Sirman
Paul Gagliardi	Jeff Jablonski	Scott Lawson	Maria Miranda	Sue Ramey	Mandy Sison
Rafael Gaitan	Tom Jackson	Barb Lee	Laura Mirsky	Chris Ramos	Jamie Skinner
Eric Galisdorfer	April Jacobs	Becky Lee	Doris Mobeck	Chris Randall	Elaine Slipe
Victor Garcia	Aaron Jacoby	Christal Lee	Eric Mollenhauer	Aron Rankin	Diane Slush
Vicky Garey	Ricky James	Keely LeTourneau	Monica Monaghan	Joy Ransdell	Jim Slusser
Chris Garman	Idania Jasso	Ed Lewis	Cherie Montgomery	Todd Ransom	Wren Smedsrud
Gene Garmon	Rebecca Jimenez	Jack Lewis	Mindy Moore	Donna Rause	Carol Smith
Shawn Garner	Amy Johnson	Kirsten Liesen	Phil Moore	Steve Raymond	Clara Smith
Bret Gauwitz	Dan Johnson	Benjamin Lietz	Tracey Morgan	Blake Rea	Kathy Smith
Grant Gentner	Irby Johnson	James Lingle	Richard Morrison	Shery Ready	Rob Smith
Kellie Gerber	Janet Johnson	Kristi Link	Sarah Mosberg	Steve Rece	Susan Smith
Fred Gigliotti	Jill Johnson	Dinice Linthicum	Chris Moulder	Denise Rembert	Terry Smith
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