



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE
RLI INSURANCE COMPANY

NAIC Group Code 0783, NAIC Company Code 13056, Employer's ID Number 37-0915434
Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois
Country of Domicile United States
Incorporated/Organized 06/04/1959, Commenced Business 11/15/1960
Statutory Home Office 9025 N. Lindbergh Drive, Peoria, IL 61615
Main Administrative Office 9025 N. Lindbergh Drive, Peoria, IL 61615, 309-692-1000
Mail Address 9025 N. Lindbergh Drive, Peoria, IL 61615
Primary Location of Books and Records 9025 N. Lindbergh Drive, Peoria, IL 61615, 309-692-1000-5468
Internet Website Address www.rlicorp.com
Statutory Statement Contact Todd Wayne Bryant, 309-692-1000-5468
todd_bryant@rlicorp.com, 309-689-2079

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Includes Joseph Edward Dondanville (Sr. V.P., CFO), John Edward Robison (Treasurer, Chief Investment Officer), Jean Marie Stephenson (A.V.P., Corporate Secretary), and Michael Joseph Stone (President & COO).

OTHER OFFICERS

Table with 4 columns: Name, Title, Name, Title. Includes Jonathan Edward Michael (Chairman & CEO), Carol Jeanne Denzer (V.P., Chief Information Officer), Jeffrey Dean Fick (V.P., Human Resources), Daniel O'Connor Kennedy (V.P., General Counsel), Craig William Kliethermes (Sr. V.P., Risk Services), Aaron Howard Jacoby (V.P., Corporate Development), Donald John Driscoll (V.P., Claims), Seth Anthony Davis (V.P., Internal Audit), and Todd Wayne Bryant (V.P., Controller).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Includes Jonathan Edward Michael, Donald John Driscoll, Michael Joseph Stone, Jeffrey Dean Fick, Joseph Edward Dondanville, and Craig William Kliethermes.

State of Illinois

County of Peoria ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Joseph Edward Dondanville
Sr. V.P., CFO

Jean Marie Stephenson
A.V.P., Corporate Secretary

John Edward Robison
Treasurer, Chief Investment Officer

Subscribed and sworn to before me this
26th day of February, 2010

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

Karen Schauble Accounting Specialist
September 20, 2013

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	555,772,021		555,772,021	473,418,131
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	812,800
2.2 Common stocks	744,735,014	2,446,404	742,288,610	635,777,362
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....	8,497,635	227,525	8,270,110	8,781,991
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$1,362,488 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$53,365,475 , Schedule DA).....	54,727,963		54,727,963	56,690,060
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets (Schedule BA)	1,000,000		1,000,000	0
8. Receivables for securities			0	16,925,208
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,364,732,633	2,673,929	1,362,058,704	1,192,405,552
11. Title plants less \$ charged off (for Title insurers only).....			0	0
12. Investment income due and accrued	6,497,019		6,497,019	6,120,428
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	47,862,906	2,819,592	45,043,314	45,787,561
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	4,862,173		4,862,173	6,367,879
14.2 Funds held by or deposited with reinsured companies	4,000		4,000	4,000
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset.....	6,055,029		6,055,029	18,363,143
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software.....	2,916,099	2,542,660	373,439	617,907
19. Furniture and equipment, including health care delivery assets (\$)	2,106,764	2,106,764	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates			0	4,863,045
22. Health care (\$) and other amounts receivable.....			0	0
23. Aggregate write-ins for other than invested assets	3,853,633	1,936,280	1,917,353	4,544,152
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	1,438,890,256	12,079,225	1,426,811,031	1,279,073,667
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	1,438,890,256	12,079,225	1,426,811,031	1,279,073,667
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Other Miscellaneous Assets.....	3,853,633	1,936,280	1,917,353	4,544,152
2302.			0	0
2303.			0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	3,853,633	1,936,280	1,917,353	4,544,152

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	314,243,433	293,176,386
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	235,370	783,841
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	58,872,394	57,129,402
4. Commissions payable, contingent commissions and other similar charges	13,285,962	13,798,927
5. Other expenses (excluding taxes, licenses and fees)	24,155,327	29,448,038
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	6,157,375	2,851,623
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))	3,512,672	208,160
7.2 Net deferred tax liability		0
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$42,864,980 and including warranty reserves of \$)	153,088,592	148,165,761
10. Advance premium	3,922,921	3,785,888
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	9,831,655	15,421,779
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	779,814	608,919
14. Amounts withheld or retained by company for account of others	47,344,613	32,095,258
15. Remittances and items not allocated		0
16. Provision for reinsurance (Schedule F, Part 7)	883,400	838,000
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	5,763,640	0
20. Payable for securities		0
21. Liability for amounts held under uninsured plans		0
22. Capital notes \$ and interest thereon \$		0
23. Aggregate write-ins for liabilities	573,015	2,720,516
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	642,650,183	601,032,498
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	642,650,183	601,032,498
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	10,000,375	10,000,375
29. Preferred capital stock		0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes		0
32. Gross paid in and contributed surplus	242,451,084	242,451,084
33. Unassigned funds (surplus)	531,709,389	425,589,710
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)		0
34.2 shares preferred (value included in Line 29 \$)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	784,160,848	678,041,169
36. Totals (Page 2, Line 26, Col. 3)	1,426,811,031	1,279,073,667
DETAILS OF WRITE-INS		
2301. Loss Recoverable Clearing	573,015	2,720,516
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	573,015	2,720,516
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	277,947,449	265,297,702
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	102,149,442	90,393,127
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	26,842,839	27,353,685
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	127,609,674	119,317,595
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	256,601,955	237,064,407
7. Net income of protected cells	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	21,345,494	28,233,295
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	28,221,741	32,249,833
10. Net realized capital gains (losses) less capital gains tax of \$ (3,597,036) (Exhibit of Capital Gains (Losses))	(6,680,209)	(12,935,070)
11. Net investment gain (loss) (Lines 9 + 10)	21,541,532	19,314,763
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$ (1,119,994))	(1,119,994)	(774,379)
13. Finance and service charges not included in premiums	0	0
14. Aggregate write-ins for miscellaneous income	702,250	862,117
15. Total other income (Lines 12 through 14)	(417,744)	87,738
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	42,469,282	47,635,796
17. Dividends to policyholders	0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	42,469,282	47,635,796
19. Federal and foreign income taxes incurred	13,521,562	20,921,262
20. Net income (Line 18 minus Line 19) (to Line 22)	28,947,720	26,714,534
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	678,041,169	752,004,325
22. Net income (from Line 20)	28,947,720	26,714,534
23. Net transfers (to) from Protected Cell accounts	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 11,276,178	116,714,745	(31,890,770)
25. Change in net unrealized foreign exchange capital gain (loss)	0	0
26. Change in net deferred income tax	(1,031,936)	773,149
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	1,534,550	374,731
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(45,400)	65,200
29. Change in surplus notes	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0
31. Cumulative effect of changes in accounting principles	0	0
32. Capital changes:		
32.1. Paid in	0	0
32.2. Transferred from surplus (Stock Dividend)	0	0
32.3. Transferred to surplus	0	0
33. Surplus adjustments:		
33.1. Paid in	0	0
33.2. Transferred to capital (Stock Dividend)	0	0
33.3. Transferred from capital	0	0
34. Net remittances from or (to) Home Office	0	0
35. Dividends to stockholders	(40,000,000)	(70,000,000)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37. Aggregate write-ins for gains and losses in surplus	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	106,119,679	(73,963,156)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	784,160,848	678,041,169
DETAILS OF WRITE-INS		
0501.	0	0
0502.	0	0
0503.	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401. Gain (Loss) on Sale/Disposal of Fixed Assets	(125,640)	19,799
1402. Miscellaneous Income	827,890	842,318
1403.	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	702,250	862,117
3701. Goodwill write-off	0	0
3702.	0	0
3703.	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance.....	277,895,447	268,474,341
2. Net investment income.....	30,301,591	35,923,529
3. Miscellaneous income.....	(417,744)	87,738
4. Total (Lines 1 through 3).....	307,779,294	304,485,608
5. Benefit and loss related payments.....	80,125,160	69,686,990
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	155,209,445	156,787,572
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ (3,597,036) tax on capital gains (losses).....	6,620,014	12,362,072
10. Total (Lines 5 through 9).....	241,954,619	238,836,634
11. Net cash from operations (Line 4 minus Line 10).....	65,824,675	65,648,974
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	249,465,211	193,503,739
12.2 Stocks.....	81,716,272	50,549,222
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	1	0
12.7 Miscellaneous proceeds.....	16,925,208	163,268
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	348,106,692	244,216,229
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	330,378,015	118,915,131
13.2 Stocks.....	72,720,255	60,600,754
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	86,794	3,184,190
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	45,425	15,214,278
13.7 Total investments acquired (Lines 13.1 to 13.6).....	403,230,489	197,914,353
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14).....	(55,123,797)	46,301,876
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	(28,022,985)
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	40,000,000	70,000,000
16.6 Other cash provided (applied).....	27,337,025	13,618,600
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(12,662,975)	(84,404,385)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	(1,962,097)	27,546,465
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	56,690,060	29,143,595
19.2 End of year (Line 18 plus Line 19.1).....	54,727,963	56,690,060

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Lines of Business		1	2	3	4
		Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	4,337,894	2,161,040	2,591,054	3,907,880
2.	Allied lines	6,914,877	1,759,960	2,451,738	6,223,099
3.	Farmowners multiple peril	0	0	0	0
4.	Homeowners multiple peril	7,961,373	4,922,733	4,548,170	8,335,936
5.	Commercial multiple peril	6,999,175	2,605,150	3,092,873	6,511,452
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	33,031,104	18,768,903	14,600,601	37,199,406
9.	Inland marine	13,908,884	5,079,336	6,981,062	12,007,158
10.	Financial guaranty	0	0	0	0
11.1	Medical professional liability - occurrence	0	0	0	0
11.2	Medical professional liability - claims-made	0	0	0	0
12.	Earthquake	1,511,031	364,681	671,939	1,203,773
13.	Group accident and health	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0
15.	Other accident and health	0	0	0	0
16.	Workers' compensation	0	0	0	0
17.1	Other liability - occurrence	75,894,584	35,916,564	38,279,813	73,531,335
17.2	Other liability - claims-made	17,514,293	8,699,256	10,013,742	16,199,807
17.3	Excess Workers' Compensation	0	0	0	0
18.1	Products liability - occurrence	380,443	24,371	122,110	282,704
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	0	0	0	0
19.3,19.4	Commercial auto liability	32,446,402	20,940,776	18,398,289	34,988,889
21.	Auto physical damage	6,303,690	2,834,391	2,804,721	6,333,360
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	3,221,535	1,253,601	1,861,093	2,614,043
24.	Surety	72,082,061	42,710,722	46,450,129	68,342,654
26.	Burglary and theft	0	0	0	0
27.	Boiler and machinery	362,934	124,277	221,258	265,953
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Warranty	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Property	0	0	0	0
32.	Reinsurance - Nonproportional Assumed Liability	0	0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0
35.	TOTALS	282,870,280	148,165,761	153,088,592	277,947,449
DETAILS OF WRITE-INS					
3401.	.....	0	0	0	0
3402.	.....			
3403.	.....			
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	2,526,566	64,488			2,591,054
2. Allied lines	2,400,688	51,050			2,451,738
3. Farmowners multiple peril					0
4. Homeowners multiple peril	4,548,170				4,548,170
5. Commercial multiple peril	3,079,239	13,634			3,092,873
6. Mortgage guaranty					0
8. Ocean marine	14,409,554	191,047			14,600,601
9. Inland marine	6,696,186	284,876			6,981,062
10. Financial guaranty					0
11.1 Medical professional liability - occurrence					0
11.2 Medical professional liability - claims-made					0
12. Earthquake	652,306	19,633			671,939
13. Group accident and health					0
14. Credit accident and health (group and individual)					0
15. Other accident and health					0
16. Workers' compensation					0
17.1 Other liability - occurrence	36,242,731	2,037,082			38,279,813
17.2 Other liability - claims-made	8,837,348	1,176,394			10,013,742
17.3 Excess Workers' Compensation					0
18.1 Products liability - occurrence	122,110				122,110
18.2 Products liability - claims-made					0
19.1,19.2 Private passenger auto liability					0
19.3,19.4 Commercial auto liability	17,099,873	1,298,416			18,398,289
21. Auto physical damage	2,597,761	206,960			2,804,721
22. Aircraft (all perils)					0
23. Fidelity	1,192,344	668,749			1,861,093
24. Surety	32,822,512	13,627,617			46,450,129
26. Burglary and theft					0
27. Boiler and machinery	213,558	7,700			221,258
28. Credit					0
29. International					0
30. Warranty					0
31. Reinsurance - Nonproportional Assumed Property ..					0
32. Reinsurance - Nonproportional Assumed Liability ..					0
33. Reinsurance - Nonproportional Assumed Financial Lines					0
34. Aggregate write-ins for other lines of business	0	0	0	0	0
35. TOTALS	133,440,946	19,647,646	0	0	153,088,592
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Line 35 through 37)					153,088,592
DETAILS OF WRITE-INS					
3401.					
3402.					
3403.					
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0

(a) State here basis of computation used in each case . Monthly Pro-Rata.....

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	1,692,971	(1,608)	3,153,116		506,585	4,337,894
2. Allied lines	1,252,471	(1,607)	6,202,956		538,943	6,914,877
3. Farmowners multiple peril						0
4. Homeowners multiple peril	8,912,138		10,000		960,765	7,961,373
5. Commercial multiple peril	7,293,359				294,184	6,999,175
6. Mortgage guaranty						0
8. Ocean marine	39,039,164		(59,254)		5,948,806	33,031,104
9. Inland marine	14,995,361		1,905,773		2,992,250	13,908,884
10. Financial guaranty						0
11.1 Medical professional liability - occurrence						0
11.2 Medical professional liability - claims-made						0
12. Earthquake	115		1,586,496		75,580	1,511,031
13. Group accident and health						0
14. Credit accident and health (group and individual)						0
15. Other accident and health						0
16. Workers' compensation						0
17.1 Other liability - occurrence	87,680,736	286,564	63,103		12,135,819	75,894,584
17.2 Other liability - claims-made	58,995,879		9,475		41,491,061	17,514,293
17.3 Excess Workers' Compensation						0
18.1 Products liability - occurrence	483,169				102,726	380,443
18.2 Products liability - claims-made						0
19.1,19.2 Private passenger auto liability						0
19.3,19.4 Commercial auto liability	41,318,410		1,258,470		10,130,478	32,446,402
21. Auto physical damage	6,600,314		243,945		540,569	6,303,690
22. Aircraft (all perils)						0
23. Fidelity	11,474,895	1,728	5,277		8,260,365	3,221,535
24. Surety	75,364,163	1,546,763	1,540,626		6,369,491	72,082,061
26. Burglary and theft						0
27. Boiler and machinery	185,561		393,668		216,295	362,934
28. Credit						0
29. International						0
30. Warranty						0
31. Reinsurance - Nonproportional Assumed Property	XXX					0
32. Reinsurance - Nonproportional Assumed Liability	XXX					0
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX					0
34. Aggregate write-ins for other lines of business	0	0	0	0	0	0
35. TOTALS	355,288,706	1,831,840	16,313,651	0	90,563,917	282,870,280
DETAILS OF WRITE-INS						
3401.						
3402.						
3403.						
3498. Summary of remaining write- ins for Line 34 from overflow page	0	0	0	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]

If yes: 1. The amount of such installment premiums \$

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	946,111	(242,645)	(603,129)	1,306,595	1,255,628	1,712,358	849,865	21.7
2. Allied lines	350,340	273,142	6,175	617,307	1,758,909	1,441,538	934,678	15.0
3. Farmowners multiple peril	.0	.0	.0	.0	.0	.0	.0	0.0
4. Homeowners multiple peril	1,461,691	.0	10,993	1,450,698	1,951,331	1,358,202	2,043,827	24.5
5. Commercial multiple peril	1,085,007	.0	(100)	1,085,107	2,174,447	1,729,061	1,530,493	23.5
6. Mortgage guaranty	.0	.0	.0	.0	.0	.0	.0	0.0
8. Ocean marine	29,894,971	.0	3,527,039	26,367,932	40,907,036	27,781,216	39,493,752	106.2
9. Inland marine	8,217,281	149,961	1,283,649	7,083,593	13,728,973	13,534,605	7,277,961	60.6
10. Financial guaranty	.0	.0	.0	.0	.0	.0	.0	0.0
11.1 Medical professional liability - occurrence	.0	.0	.0	.0	.0	.0	.0	0.0
11.2 Medical professional liability - claims-made	.0	.0	.0	.0	.0	.0	.0	0.0
12. Earthquake	393,046	545	436	393,155	230,039	337,811	285,383	23.7
13. Group accident and health	.0	.0	.0	.0	.4	.4	.0	0.0
14. Credit accident and health (group and individual)	.0	.0	.0	.0	.0	.0	.0	0.0
15. Other accident and health	.0	.0	.0	.0	.0	.0	.0	0.0
16. Workers' compensation	.0	.0	.0	.0	.0	.0	.0	0.0
17.1 Other liability - occurrence	22,177,482	47,250	4,940,431	17,284,301	119,435,206	113,738,946	22,980,561	31.3
17.2 Other liability - claims-made	14,516,437	.0	11,542,103	2,974,334	37,844,408	35,482,861	5,335,881	32.9
17.3 Excess Workers' Compensation	.0	.0	.0	.0	.0	.0	.0	0.0
18.1 Products liability - occurrence	36,677	.0	3,803	32,874	1,444,586	2,141,240	(663,780)	(234.8)
18.2 Products liability - claims-made	.0	.0	.0	.0	.0	.0	.0	0.0
19.1,19.2 Private passenger auto liability	.0	.0	.0	.0	109,490	76,962	32,528	0.0
19.3,19.4 Commercial auto liability	23,911,325	1,721,716	7,490,075	18,142,966	52,435,422	60,039,998	10,538,390	30.1
21. Auto physical damage	3,022,727	43,301	76,996	2,989,032	2,481,788	3,123,130	2,347,690	37.1
22. Aircraft (all perils)	.0	.0	.0	.0	.0	.0	.0	0.0
23. Fidelity	121,383	.0	59,359	62,024	658,535	276,605	443,954	17.0
24. Surety	3,236,126	42,410	1,415,821	1,862,715	19,939,106	13,207,980	8,593,841	12.6
26. Burglary and theft	(1,200)	.0	(60)	(1,140)	12,128	20,174	(9,186)	0.0
27. Boiler and machinery	6,971	.0	6,971	.0	45,505	39,236	6,269	2.4
28. Credit	.0	.0	.0	.0	.0	.0	.0	0.0
29. International	.0	.0	.0	.0	.0	.0	.0	0.0
30. Warranty	.0	.0	.0	.0	.0	.0	.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	.0	.0	.0	.0	48,750	(48,750)	0.0
32. Reinsurance - Nonproportional Assumed Liability	XXX	1,319,008	1,888,106	(569,098)	17,830,892	17,085,709	176,085	0.0
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	.0	.0	.0	.0	.0	.0	0.0
34. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	0.0
35. TOTALS	109,376,375	3,354,688	31,648,668	81,082,395	314,243,433	293,176,386	102,149,442	36.8
DETAILS OF WRITE-INS								
3401.				.0	.0	.0	.0	0.0
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page	.0	.0	.0	.0	.0	.0	.0	0.0
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

6

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	241,973	630,648	721,051	151,570	135,286	1,062,036	93,264	1,255,628	290,950
2. Allied lines	84,288	337,005	176,256	245,037	355,553	1,355,718	197,399	1,758,909	621,764
3. Farmowners multiple peril	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Homeowners multiple peril	1,383,349	.0	357	1,382,992	568,339	.0	.0	1,951,331	258,999
5. Commercial multiple peril	544,820	.0	.0	544,820	1,825,723	.0	196,096	2,174,447	408,372
6. Mortgage guaranty	.0	.0	.0	.0	.0	.0	.0	.0	.0
8. Ocean marine	24,670,689	.0	2,607,640	22,063,049	20,882,848	222,201	2,261,062	40,907,036	5,475,040
9. Inland marine	3,899,796	63,543	328,310	3,635,029	10,491,462	924,660	1,322,178	13,728,973	1,586,827
10. Financial guaranty	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.1 Medical professional liability - occurrence	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.2 Medical professional liability - claims-made	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Earthquake	.0	.0	.0	.0	243,180	.0	13,141	230,039	30,110
13. Group accident and health	1	.0	.0	1	3	.0	.0	(a) 4	.0
14. Credit accident and health (group and individual)	.0	.0	.0	.0	.0	.0	.0	(a) .0	.0
15. Other accident and health	.0	.0	.0	.0	.0	.0	.0	(a) .0	.0
16. Workers' compensation	.0	.0	.0	.0	.0	.0	.0	.0	.0
17.1 Other liability - occurrence	61,246,420	2	13,258,880	47,987,542	88,043,507	881,226	17,477,069	119,435,206	27,431,235
17.2 Other liability - claims-made	52,048,818	1	46,092,190	5,956,629	104,992,863	.0	73,105,084	37,844,408	6,073,328
17.3 Excess Workers' Compensation	.0	.0	.0	.0	.0	.0	.0	.0	.0
18.1 Products liability - occurrence	651,043	.0	36,752	614,291	1,052,011	.0	221,716	1,444,586	711,826
18.2 Products liability - claims-made	.0	.0	.0	.0	.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability	.0	.0	.0	.0	109,490	.0	.0	109,490	12,166
19.3,19.4 Commercial auto liability	56,752,097	3,836,500	16,679,293	43,909,304	14,701,047	715,545	6,890,474	52,435,422	9,707,888
21. Auto physical damage	537,238	.5	1,283	535,960	2,162,497	.1	216,670	2,481,788	541,085
22. Aircraft (all perils)	.0	.0	.0	.0	.0	.0	.0	.0	.0
23. Fidelity	6,185	.0	899	5,286	3,191,354	.0	2,538,105	658,535	240,132
24. Surety	7,832,764	293,039	5,080,452	3,045,351	18,103,155	693,598	1,902,998	19,939,106	4,106,979
26. Burglary and theft	.5	.0	.0	.5	16,009	.0	3,886	12,128	1,462
27. Boiler and machinery	.0	1	.0	1	111,757	15	66,268	45,505	5,087
28. Credit	.0	.0	.0	.0	.0	.0	.0	.0	.0
29. International	.0	.0	.0	.0	.0	.0	.0	.0	.0
30. Warranty	.0	.0	.0	.0	.0	.0	.0	.0	.0
31. Reinsurance - Nonproportional Assumed Property	XXX	.0	.0	.0	XXX	.0	.0	.0	.0
32. Reinsurance - Nonproportional Assumed Liability	XXX	13,085,899	2,472,603	10,613,296	XXX	12,206,125	4,988,529	17,830,892	1,369,144
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	.0	.0	.0	XXX	.0	.0	.0	.0
34. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0	.0
35. TOTALS	209,899,486	18,246,643	87,455,966	140,690,163	266,986,084	18,061,125	111,493,939	314,243,433	58,872,394
DETAILS OF WRITE-INS									
3401.									
3402.									
3403.									
3498. Summary of remaining write-ins for Line 34 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

(a) Including \$ for present value of life indemnity claims.

10

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	19,152,804			19,152,804
1.2 Reinsurance assumed	1,308,937			1,308,937
1.3 Reinsurance ceded	6,162,341			6,162,341
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	14,299,400	0	0	14,299,400
2. Commission and brokerage:				
2.1 Direct, excluding contingent		55,903,144		55,903,144
2.2 Reinsurance assumed, excluding contingent		3,051,686		3,051,686
2.3 Reinsurance ceded, excluding contingent		17,480,647		17,480,647
2.4 Contingent-direct		6,259,311		6,259,311
2.5 Contingent-reinsurance assumed		71,365		71,365
2.6 Contingent-reinsurance ceded		1,192,653		1,192,653
2.7 Policy and membership fees				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	46,612,206	0	46,612,206
3. Allowances to manager and agents				0
4. Advertising		175,163	6,232	181,395
5. Boards, bureaus and associations		1,062,376		1,062,376
6. Surveys and underwriting reports		295,763		295,763
7. Audit of assureds' records				0
8. Salary and related items:				
8.1 Salaries	6,730,591	40,820,123	612,806	48,163,520
8.2 Payroll taxes	410,074	2,501,851	15,766	2,927,691
9. Employee relations and welfare	1,499,576	9,632,821	88,857	11,221,254
10. Insurance		947,717		947,717
11. Directors' fees				0
12. Travel and travel items	128,275	2,690,485	26,222	2,844,982
13. Rent and rent items	38,948	3,179,996	(5,340)	3,213,604
14. Equipment	32,715	1,857,484	11,842	1,902,041
15. Cost or depreciation of EDP equipment and software	7,901	1,466,789	1,473	1,476,163
16. Printing and stationery	12,361	588,273	16,574	617,208
17. Postage, telephone and telegraph, exchange and express	41,231	1,390,022	29,549	1,460,802
18. Legal and auditing		969,101	55,820	1,024,921
19. Totals (Lines 3 to 18)	8,901,672	67,577,964	859,801	77,339,437
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		6,803,353		6,803,353
20.2 Insurance department licenses and fees	689	593,192	128	594,009
20.3 Gross guaranty association assessments	32,322	1,617,677	7,687	1,657,686
20.4 All other (excluding federal and foreign income and real estate)		10,188		10,188
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	33,011	9,024,410	7,815	9,065,236
21. Real estate expenses		480,072	17,653	497,725
22. Real estate taxes		212,060	5,761	217,821
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	3,608,756	3,702,962	1,068,583	8,380,301
25. Total expenses incurred	26,842,839	127,609,674	1,959,613 (a)	156,412,126
26. Less unpaid expenses - current year	58,872,394	43,503,778	94,886	102,471,058
27. Add unpaid expenses - prior year	57,129,402	46,009,882	88,706	103,227,990
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	25,099,847	130,115,778	1,953,433	157,169,058
DETAILS OF WRITE-INS				
2401. Management Fee		748,664		748,664
2402. Contracted Services	298,832	2,206,800	11,426	2,517,058
2403. Outside Investment Fees			1,057,157	1,057,157
2498. Summary of remaining write-ins for Line 24 from overflow page	3,309,924	747,498	0	4,057,422
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	3,608,756	3,702,962	1,068,583	8,380,301

(a) Includes management fees of \$ 748,664 to affiliates and \$ to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 5,558,049	5,651,026
1.1 Bonds exempt from U.S. tax	(a) 5,765,416	5,391,434
1.2 Other bonds (unaffiliated)	(a) 12,128,860	12,936,883
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 15,000	15,000
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	5,237,621	5,120,537
2.21 Common stocks of affiliates	0	0
3. Mortgage loans	(c)	0
4. Real estate	(d) 1,372,559	1,372,559
5. Contract loans	(d)	0
6. Cash, cash equivalents and short-term investments	(e) 308,265	274,921
7. Derivative instruments	(f)	0
8. Other invested assets	50,640	50,640
9. Aggregate write-ins for investment income	9,313	9,313
10. Total gross investment income	30,445,723	30,822,313
11. Investment expenses		(g) 1,959,613
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 640,959
15. Aggregate write-ins for deductions from investment income		0
16. Total deductions (Lines 11 through 15)		2,600,572
17. Net investment income (Line 10 minus Line 16)		28,221,741
DETAILS OF WRITE-INS		
0901. Miscellaneous Interest	9,313	9,313
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	9,313	9,313
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

- (a) Includes \$ 239,337 accrual of discount less \$ 2,054,819 amortization of premium and less \$ 1,110,669 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued dividends on purchases.
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
 (d) Includes \$ 1,372,559 for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
 (f) Includes \$ accrual of discount less \$ amortization of premium.
 (g) Includes \$ 1,057,159 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
 (i) Includes \$ 640,959 depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	133,454		133,454		
1.1 Bonds exempt from U.S. tax	2,162,291		2,162,291		
1.2 Other bonds (unaffiliated)	1,449,724	(1,008,486)	441,238	519,587	
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	7,254	0	7,254	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	2,166,300	(15,142,358)	(12,976,058)	32,217,654	0
2.21 Common stocks of affiliates	0	0	0	95,253,682	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	0	0	0	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	(45,424)	0	(45,424)	0	0
10. Total capital gains (losses)	5,873,599	(16,150,844)	(10,277,245)	127,990,923	0
DETAILS OF WRITE-INS					
0901. Miscellaneous	(45,424)		(45,424)		
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(45,424)	0	(45,424)	0	0

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	2,446,404	2,638,335	191,931
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	227,525	269,809	42,284
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,673,929	2,908,144	234,215
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	2,819,592	2,553,603	(265,989)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premiums.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	2,542,660	3,653,677	1,111,017
19. Furniture and equipment, including health care delivery assets.....	2,106,764	2,381,514	274,750
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	1,936,280	2,116,837	180,557
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	12,079,225	13,613,775	1,534,550
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	12,079,225	13,613,775	1,534,550
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Goodwill.....	1,936,280	2,116,837	180,557
2302. Other Miscellaneous Assets.....	0	0	0
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	1,936,280	2,116,837	180,557

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Accounting Practices

The financial statements of RLI Insurance Company (the Company) are presented on the basis of accounting practices prescribed or permitted by the Illinois Department of Financial and Professional Regulation, Division of Insurance (the Division).

The Division recognizes only statutory accounting practices prescribed or permitted by the state of Illinois for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under the Illinois Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Illinois. The state has not adopted any prescribed accounting practices that differ from those found in NAIC SAP.

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported financial statement balances as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant of these amounts is the liability for unpaid losses and loss adjustment expenses. Management continually updates its estimates as additional data becomes available and adjusts the statutory financial statements as deemed necessary. Other estimates such as the recoverability of reinsurance balances are constantly monitored, evaluated, and adjusted. Although recorded estimates are supported by actuarial computations and other data, the estimates are ultimately based on expectations of future events. It is reasonably possible that expectations associated with these accounts can change in the near term (i.e., one year) and that the effect of these changes could be material to the statutory financial statements.

c. Accounting Policy

Premiums, net of reinsurance, are earned and recognized as revenue ratably over the periods of the policies. Unearned premiums, which are reflected net of reinsurance, represent the pro rata portion of premiums written which are applicable to the unexpired terms of the policies in force.

The costs of acquiring insurance premiums (principally commissions and premium taxes) are charged to current operations as incurred.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are valued at cost, which approximates fair value.
- (2) Bonds are generally stated at amortized cost with the discount or premium on bonds amortized using the scientific method. Bonds with a NAIC designation of 3 to 6 are stated at the lower of amortized cost or fair value.
- (3) Unaffiliated common stocks are carried at values assigned by the NAIC, which approximates fair value. Stocks of affiliates in which the Company has an interest of 20% or more are carried based upon the affiliate's audited statutory surplus.
- (4) Unaffiliated preferred stocks are carried at values assigned by the NAIC, which approximates fair value.
- (5) The Company has no mortgage loans to report.

The Company owns real estate occupied by the Company which is valued at cost less accumulated depreciation and is computed on a straight-line basis over the estimated useful lives of the properties per SSAP No. 40, Real Estate Investments. The fair value of the properties is determined by third party appraisals, the results of which indicate the properties are not impaired per practices prescribed in SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.
- (6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value, dependent upon NAIC designations. Loan backed securities are revalued using currently estimated cash flow, including new prepayment assumptions, under the retrospective methodology.
- (7) The Company owns 100% of the common stock of Mt. Hawley Insurance Company (Mt. Hawley), Safe Fleet Insurance Services, Inc. (Safe Fleet), RLI Insurance Ltd. (RLI Ltd.), Underwriters Indemnity General Agency (UIGA), and RLI Underwriting Services (RLI US). The Company's investment in Mt. Hawley is carried at cost plus equity in statutory net income and surplus adjustments since the date of formation, less dividends received. Changes in the carrying value of the Company's investment in Mt. Hawley are reflected directly in unassigned surplus, as described in SSAP No. 97. Additionally, as prescribed in SSAP No. 97, Safe Fleet, RLI Ltd., UIGA, and RLI US are valued based on their underlying GAAP equity adjusted to a statutory basis of accounting. Per SSAP No. 97, the Company has non-admitted its investment in Safe Fleet, RLI Ltd., UIGA, and RLI US since GAAP audits are not conducted individually for these subsidiaries.
- (8) The company has no investments in joint ventures, partnerships or limited liability companies.
- (9) The Company has no derivative instruments.
- (10) The Company does not utilize anticipated investment income as a factor in the calculation of premium deficiency.
- (11) The estimated liability for unpaid losses and loss adjustment expenses includes a provision for reported and unpaid losses as well as estimates of losses incurred but not reported, net of amounts covered by reinsurance. The estimates are based on certain actuarial and other assumptions related to the ultimate cost to settle such claims. Such assumptions are subject to occasional changes due to evolving economic, social, and political conditions. All estimates are periodically reviewed and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments are reflected in the results of operations in the period in which they are determined. As these amounts are determined based upon estimates, the ultimate liability may be more or less than such estimates. Based on the current assumptions used in calculating reserves, management believes that the Company's overall reserve levels at December 31, 2009 make a reasonable provision to meet its future obligations.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) Under the Company's current health care plan, effective 8/1/07, the Company receives monthly prescription drug rebates based on headcount. These savings are netted against monthly health care expenses, and no receivable is recorded.

2. Accounting Changes and Correction of Errors

The Company has none to report.

NOTES TO FINANCIAL STATEMENTS

3. Business Combinations and Goodwill

The Company has none to report.

4. Discontinued Operations

The Company has none to report.

5. Investments

a, b, c. Mortgage Loans, Debt Restructuring & Reverse Mortgages

The Company has none to report.

d. Loan-Backed Securities

Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from external sources and through management estimates.

e. Repurchase Agreements and/or Securities Lending Transactions

The Company has none to report.

f. Real Estate

The Company owns real estate occupied by the Company which is valued at cost less accumulated depreciation and is computed on a straight-line basis over the estimated useful lives of the properties per SSAP No. 40, Real Estate Investments. The fair value of the properties is determined by third party appraisals, the results of which indicate the properties are not impaired per practices prescribed in SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.

g. The Company has none to report.

6. Joint Ventures, Partnerships, Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

Due and accrued income over 90 days past due is excluded from surplus. The Company has no accrued income over 90 days past due. As a result, no adjustment to surplus has been made.

8. Derivative Instruments

The Company has no financial instruments defined as derivatives for statutory purposes.

9. Income Taxes

a. The components of the net deferred tax asset (liability) at December 31 are as follows:

	2009			2008 (Using SSAP10 Calc)		
	<u>Total</u>	<u>Capital</u>	<u>Ordinary</u>	<u>Total</u>	<u>Capital</u>	<u>Ordinary</u>
Total of gross deferred tax assets	\$ 34,189,292	\$ 94,491	\$ 34,094,801	\$ 35,444,057	\$ 3,368,361	\$ 32,075,696
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	\$ 34,189,292	\$ 94,491	\$ 34,094,801	\$ 35,444,057	\$ 3,368,361	\$ 32,075,696
Total of deferred tax liabilities	28,134,263	27,930,688	203,575	17,080,914	16,661,846	419,068
Net deferred tax asset (liability)	\$ 6,055,029	\$(27,836,197)	\$ 33,891,226	\$ 18,363,143	\$(13,293,485)	\$ 31,656,628
Total DTA nonadmitted per SSAP 10R	-	-	-	-	-	-
Total DTA admitted	\$ 6,055,029	\$(27,836,197)	\$ 33,891,226	\$ 18,363,143	\$(13,293,485)	\$ 31,656,628
(Increase) decrease in nonadmitted asset	\$ -					

The Company has elected to admit DTAs pursuant to SSAP No. 10R and the current period election differs from the prior reporting period.

NOTES TO FINANCIAL STATEMENTS

	2009			2008 (Using SSAP 10 Calc)		
	Total	Capital	Ordinary	Total	Capital	Ordinary
Increase (and change) in admitted assets pursuant to SSAP 10R	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Admitted under paragraph 10.a.	15,567,119	94,491	15,472,628	20,467,381	3,368,361	17,099,020
Admitted under paragraph 10.b.i.	-	-	-	-	-	-
Admitted under paragraph 10.b.ii.	-	-	-	-	-	-
Admitted under paragraph 10.c.	18,622,173	-	18,622,173	14,976,676	-	14,976,676
Admitted under paragraph 10.e.i.	6,500,847	-	6,500,847	-	-	-
Admitted under paragraph 10.e.ii.a.	1,391,344	-	1,391,344	-	-	-
Admitted under paragraph 10.e.ii.b.	-	-	-	-	-	-
Admitted under paragraph 10.e.iii	(7,892,191)	-	(7,892,191)	-	-	-
	<u>\$ 34,189,292</u>	<u>\$ 94,491</u>	<u>\$ 34,094,801</u>	<u>\$ 35,444,057</u>	<u>\$ 3,368,361</u>	<u>\$ 32,075,696</u>

Authorized Control Level \$ 49,213,425

Total Adjusted Capital \$ 784,160,848

	2009			2008 (Using SSAP 10 Calc)		
	With election of SSAP10R	Increase due to SSAP10R	Prior to to SSAP10R	Prior to to SSAP10R		Prior to to SSAP10R
Total DTA admitted	\$ 6,055,029	\$ -	\$ 6,055,029	\$ 18,363,143	\$ -	\$ 18,363,143
Total admitted assets	\$ 1,426,811,031	\$ -	\$ 1,426,811,031	\$ 1,279,073,667	\$ -	\$ 1,279,073,667
Statutory surplus	\$ 784,160,848	\$ -	\$ 784,160,848	\$ 678,041,169	\$ -	\$ 678,041,169
Total adjusted capital	\$ 784,160,848	\$ -	\$ 784,160,848			

- b. Regarding deferred tax liabilities that are not recognized:

There are no deferred tax liabilities that are not recognized for amounts described in SSAP No. 10, Income Taxes, paragraph 6d.

- c. Current income taxes incurred consist of the following major components:

The provision for incurred taxes on earnings for the year ended December 31 are:

	2009	2008
Federal	\$ 13,521,562	\$ 20,921,262
Federal income tax on net capital gain (loss)	(3,597,036)	(6,965,037)
Federal and foreign income tax incurred	<u>\$ 9,924,526</u>	<u>\$ 13,956,225</u>

The main components of the deferred tax amounts at December 31 are as follows:

Deferred tax assets:	2009	2008
Loss Reserves	\$ 12,295,880	\$ 11,965,982
Unearned premium reserve	10,744,558	10,412,895
Nonadmitted assets	3,371,487	3,841,404
Deferred compensation	7,306,670	5,427,637
Accrued expenses	262,500	262,500
Impairment on Investments	94,491	3,368,361
Other	113,706	165,278
Total deferred tax assets	<u>34,189,292</u>	<u>35,444,057</u>
Nonadmitted deferred tax assets	-	-
Admitted deferred tax assets	<u>34,189,292</u>	<u>35,444,057</u>
Deferred tax liabilities:		
Amortization of bond discount	91,178	115,192
Unrealized capital gains	20,983,257	9,707,079
Accrued dividends	65,617	152,637
Depreciable Assets	36,013	124,716
Intercompany transactions	6,356,103	6,356,103
Other	602,095	625,187
Total deferred tax liabilities	<u>28,134,263</u>	<u>17,080,914</u>
Net admitted deferred tax assets	<u>\$ 6,055,029</u>	<u>\$ 18,363,143</u>

NOTES TO FINANCIAL STATEMENTS

The changes in net deferred income taxes are as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Total deferred tax assets	\$ 34,189,292	\$ 35,444,057	\$ (1,254,765)
Statutory valuation allowance	-	-	-
Adjusted deferred tax assets	<u>\$ 34,189,292</u>	<u>\$ 35,444,057</u>	<u>\$ (1,254,765)</u>
Total deferred tax liabilities	<u>28,134,263</u>	<u>17,080,914</u>	<u>11,053,349</u>
Net deferred tax assets	<u>\$ 6,055,029</u>	<u>\$ 18,363,143</u>	(12,308,114)
Tax effect of unrealized gains (losses)			<u>11,276,178</u>
Change in net deferred income tax			<u>\$ (1,031,936)</u>

d. Among the more significant book to tax adjustments were the following:

	<u>December 31, 2009</u>	<u>Effective Tax</u> <u>Rate</u>
Income before taxes, which includes net realized capital gains	<u>\$ 38,872,246</u>	
Provision computed at statutory rate	\$ 13,605,286	35.0%
Tax exempt income deduction	(1,602,816)	-4.1%
Dividends received deduction	(1,008,847)	-2.6%
Nondeductible expenses	130,069	0.3%
Other	<u>(167,230)</u>	<u>-0.4%</u>
Total	<u>\$ 10,956,462</u>	<u>28.2%</u>
Federal and foreign taxes incurred	\$ 13,521,562	34.8%
Change in net deferred income taxes	1,031,936	2.7%
Tax on net realized capital gains (losses)	<u>(3,597,036)</u>	<u>-9.3%</u>
Total statutory income taxes	<u>\$ 10,956,462</u>	<u>28.2%</u>

- e. (1) At December 31, 2009, the Company had no operating loss carry forwards available to offset future net income subject to federal income tax.
- (2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:
- | | |
|------|---------------|
| 2009 | \$ 17,703,746 |
| 2008 | \$ 14,639,671 |
- (3) The Company has no deposits reported as admitted assets under Section 6603 of the Internal Revenue Service (IRS) Code as of December 31, 2009.
- f. (1) The Company's federal income tax return is consolidated with the following entities:
- RLI Corp.
 - Mt. Hawley Insurance Company
 - RLI Aviation, Inc.
 - RLI Indemnity Company
 - RLI Underwriting Services, Inc.
 - Underwriters Indemnity General Agency, Inc.
 - Safe Fleet Insurance Services, Inc.
- (2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based on the ratio of that portion of the separate company taxable income each member bears to the total taxable income of the group. Intercompany balances are settled quarterly.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

a, b, c. During 2009, the Company paid cash dividends to its parent, RLI Corp., of \$40.0 million. During the same period in 2008, the Company paid dividends to its parent of \$70.0 million. Neither amount included any extraordinary dividends.

The Company received no cash dividends in 2009 or 2008, respectively.

At December 31, 2009, the Company owns 100% of the common stock of its subsidiaries, Mt. Hawley, Safe Fleet, RLI Ltd., UIGA, and RLI US, having statement values of \$565.6 million; \$(0.2) million; \$1.0 million; \$1.0 million; and \$0.6 million, respectively. The Company non-admitted its investment in Safe Fleet, RLI Ltd, UIGA, and RLI US, per SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities, a replacement of SSAP No. 88, since GAAP audits are not conducted individually for these subsidiaries.

NOTES TO FINANCIAL STATEMENTS

- d. The Company reported \$5.8 million as net amounts due to affiliates and \$4.9 million as net amounts due from affiliates at December 31, 2009 and 2008, respectively. Any intercompany balance resulting from services performed or costs allocated in accordance with the terms of the intercompany services agreement shall be settled within 30 calendar days following the end of the calendar quarter in which such intercompany balance was created.
- e. On January 1, 2003, the Company and its affiliate, RIC, entered into an intercompany reinsurance agreement. Under the terms of the agreement, after all of RIC's unaffiliated reinsurance cessions are affected, the Company assumes premium from RIC under a 90% quota share reinsurance agreement for all policies with effective dates of 1/1/2003 or later. This agreement was amended in 2004 to include the assuming of 100% of RIC's existing net loss reserves and any future development on these reserves. The Division approved the amendment on June 29, 2004.
- On or about April 1, 2004, the Company entered into an intercompany guarantee with RLI Ltd. The Company has guaranteed the performance of RLI Ltd. with respect to a punitive damages wrap policy over an excess policy with the Company. The policy was not renewed during 2009.
- f. The Company allocates certain expenses to RLI Corp. and affiliated companies, Mt. Hawley, RIC, RLI US and Safe Fleet, based upon the accounting principles set forth in NAIC SAP. The intercompany services agreement allows a portion of the expenses incurred by the Company for the benefit of these affiliates to be allocated on a pro rata basis relative to the affiliate companies' gross earned premium to the total of gross earned premiums of the Company, and any other affiliate managed by the Company. This agreement further allows the expenses incurred by Safe Fleet for the benefit of the Company to be charged back to the Company on a cost reimbursement basis.
- g. RLI Corp., a holding company listed on the New York Stock Exchange and incorporated in the state of Illinois, owns 100% of the outstanding shares of the Company.
- h. The wholly owned subsidiary of the Company, Mt. Hawley, owns 2.0 million shares of RLI Corp., the Company's ultimate parent. This investment is being accounted for in accordance with the NAIC Securities Valuation Office guidelines.
- i. The Company owns a 100% interest in Mt. Hawley, whose carrying value exceeds 10% of the admitted assets of the Company. The Company carries Mt. Hawley at the statutory equity basis of \$565.6 million. The statement value of Mt. Hawley assets and liabilities as of December 31, 2009 was \$1,097.6 million and \$532.1 million, respectively. Net income of Mt. Hawley was \$86.2 million for the year ended December 31, 2008.
- j. The Company did not recognize any impairment write down for its investment in subsidiary, controlled or affiliated companies during the statement period.
- k. The Company values its investment in its wholly owned foreign insurance subsidiary, RLI Ltd., a Bermuda corporation, based on the underlying GAAP equity adjusted to a statutory basis of accounting. The Company non-admits its investment in RLI Ltd per SSAP No. 97 since a GAAP audit is not conducted individually for this subsidiary.
- l. The Company does not hold an investment in a downstream noninsurance holding company.

11. Debt

- a. The Company does not have any reverse repurchase agreements as of December 31, 2009.
- b. The Company has no Federal Home Loan Bank agreements at December 31, 2009.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- a. **Defined Benefit Plan**
The Company has none to report.
- b. **Defined Contribution Plans**
The Company has none to report.
- c, d. **Multi-employer & Consolidated/Holding Company Plans**
The Company, along with its affiliates and ultimate parent, has an Employee Stock Ownership Plan (ESOP) and a 401(k) Plan, which covers substantially all employees. The Company provides a base contribution to the 401(k) plan of 3% of eligible compensation and allows voluntary contributions by employees. Additionally, annual discretionary profit-sharing contributions may be made to both plans, subject to the achievement of certain overall financial goals. The total amount of expense for these plans for 2009 and 2008 was \$8.7 million and \$8.8 million, respectively. The Company allocates a portion of this expense to its subsidiaries per terms of the intercompany services agreement.
- The Company, along with its affiliate and ultimate parent, also has bonus and incentive plans covering executives, management, and associates. These plans are subject to the achievement of certain overall financial targets, and to a lesser extent, management incentive plans are affected by other performance measures. The total amount of expense for these plans for 2009 and 2008 was \$15.5 million and \$4.6 million, respectively. The Company allocates a portion of this expense to its subsidiaries per terms of the intercompany services agreement.
- e. **Postemployment Benefits and Compensated Absences**
In 2002, the Company, along with its affiliate and ultimate parent, began offering certain eligible employees post-employment medical coverage. Under the Company's plan, employees, who retire at age 55 or older with 20 or more years of company service, may continue medical coverage under the Company's health plan. Employees who elect continuation of coverage pay the full COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) rate and coverage terminates upon reaching age 65. The Company expects a relatively small number of employees will become eligible for this benefit. The COBRA rate established for participating employees covers the cost of providing this coverage. The Company does not provide compensated absences.
- f. **Impact of Medicare Modernization Act on Postretirement Benefits**
The Company has none to report.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

- (1)-(10) The Company has 1.0 million shares authorized and 80,003 issued and outstanding. Par value equals \$125 per share. The Company has no preferred stock outstanding.
- During 2009, the Company paid ordinary cash dividends to its parent, RLI Corp., of \$40.0 million. Of this, \$5.0 million was paid in March 2009, \$15.0 million in June 2009 and \$20.0 million in December 2009.

NOTES TO FINANCIAL STATEMENTS

Dividend payments from the Company to its parent are restricted by state insurance laws as to the amount that may be paid without prior approval from the regulatory authorities of Illinois. The maximum dividend distribution is limited by Illinois law to the greater of 10 percent of policyholder surplus as of December 31 of the preceding year or the net income of the Company for the 12-month period ending December 31 of the preceding year. Therefore, the maximum dividend that can be paid by the Company during 2010 without prior approval is \$78.4 million, which represents 10% of the Company's 2009 policyholder surplus.

State insurance laws also restrict dividend payments to the Company from Mt. Hawley. The maximum dividend that can be paid to the Company by Mt. Hawley during 2010 without prior approval is \$86.2 million, which represents Mt. Hawley's 2009 net income.

The Company has no restrictions on unassigned surplus. No stock of the Company is being held for special purposes.

Unassigned surplus includes \$38.9 million in net unrealized gains on investments and has been reduced by \$12.1 million relating to non-admitted assets. Additionally, surplus has been reduced by \$0.9 million for the provision for reinsurance.

(11)-(13) The Company has no surplus notes. The Company has not been part of a quasi reorganization.

14. Contingencies

a. Contingent Commitments

The Company has none to report.

b. Assessments

The Company has an accrual for assessments as December 31, 2009, of \$3.2 million. It is not possible at this time to determine the periods over which the assessments are expected to be paid.

c. Gain Contingencies

The Company has none to report.

d. Claims related extra contractual obligations and bad faith losses stemming from lawsuits.

The Company has none to report.

e. All Other Contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company. The Company has no asset that it considers impaired.

15. Leases

The Company leases regional office facilities and computers under operating leases. These leases expire in various years through 2018. Minimum future rental payments under non-cancellable leases are as follows:

2010	\$ 2,784,799
2011	3,146,334
2012	2,949,496
2013	1,995,443
2014	1,700,063
2015 and thereafter	3,123,822
Total minimum future rental payments	<u>\$ 15,699,957</u>

The Company shares rental expense with its affiliate, Mt. Hawley, through an intercompany services agreement. The Company's portion of rental expense for 2009 and 2008 was \$0.9 million, respectively.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Concentrations of Credit Risk

The Company has none to report.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

The Company has none to report.

18. Gain or Loss from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The Company has none to report.

19. Direct Premium Written by Managing General Agents/Third Party Administrators

Name and Address of Managing General Agent or Third Party Administrator:

Program Brokerage Corporation
1065 Avenue of the Americas
New York, New York 10018

FEIN Number: 13-3724358

Exclusive contract: No

Types of Business Written: Deductible Buy-Back or Self-Insured Retention Buy-Back for the following lines of business: Commercial Property, General Liability, Inland Marine, Crime, Umbrella

Types of Authority Granted: Claims payment, claims adjustment, binding authority, premium collection, underwriting

This Managing General Agent (MGA) agreement was filed with the Illinois Department of Insurance and approved on April 18, 2007. The Company's business arrangements with respect to the MGA aspects of the relationship are winding down, and are expected to cease in 2010.

NOTES TO FINANCIAL STATEMENTS

20. Other Items

The Company elected to use rounding in reporting amounts in this statement.

During 2009, the Company recognized \$16.2 million in losses for the other-than-temporary decline in fair values (impairments). Impairment charges were primarily recorded on equity securities in the first quarter prior to the broad market recovery. The company regularly reviews investment securities for impairment using both quantitative and qualitative criteria. Quantitative criteria include length of time and amount that each security is in an unrealized loss position and, for fixed maturities, whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as the company's intent and ability to hold the security to maturity or until forecasted recovery. Statutory rules require that if a decline in fair value is determined to be other than temporary, the security is to be written down to fair value as the new cost basis, and the write down shall be accounted for as a realized loss.

The Company has no state transferable credits as of December 31, 2009.

The Company does not engage in subprime residential mortgage lending. In addition, the Company has no exposure to subprime lending relating to its investment portfolio or insurance coverage.

From an insurance standpoint, the casualty segment has exposure to subprime market issues through the Company's other liability (directors and officers) coverage. The Company's exposure to subprime, however, is minimal. The Company has a limited number of claims and expects future net exposure to subprime to be less than \$5.0 million. The surety segment is another area that the Company can have direct exposure to subprime. The Company writes few mortgage broker bonds, and believes this exposure to be minimal. In addition, the Company does not have significant exposure from a surety standpoint to the home building industry.

	1 Losses Paid in the Current Year	2 Losses Incurred in the Current Year	3 Case Reserves at End of Current Period	4 IBNR Reserves at End of Current Period
a. Mortgage Guaranty Coverage	\$ -	\$ -	\$ -	\$ -
b. Financial Guaranty Coverage	-	-	-	-
c. Other Lines (specify)				
Professional Risk	1,181,332	1,372,824	10,801,961	3,882,000
d. Total	\$1,181,332	\$1,372,824	\$10,801,961	\$3,882,000

21. Events Subsequent

The Company has none to report.

22. Reinsurance

a. Unsecured Reinsurance Recoverables; Greater Than 3% of Policyholder Surplus

NAIC CO. #	FEIN #	COMPANY NAME	GROUP AFFILIATION	AMOUNT
10227	13-4924125	Munich Re America	Munich Re American Corp Group	\$ 29,403,000
20370	51-0434766	Axis Reinsurance Co	Axis Capital Holdings Limited	23,804,000
				<u>\$ 53,207,000</u>

b. Reinsurance Recoverable in Dispute

There are no recoverables in dispute that exceed 5% of surplus.

c. Reinsurance Assumed and Ceded

(1)

	ASSUMED REINSURANCE		CEDED REINSURANCE		NET	
	Premium Reserve (1)	Commission Equity (2)	Premium Reserve (3)	Commission Equity (4)	Premium Reserve (5)	Commission Equity (6)
Affiliates	\$ 1,669,016	\$ -	\$ -	\$ -	\$ 1,669,016	\$ -
All Other	6,448,214	-	39,368,454	8,637,603	(32,920,240)	(8,637,603)
Total	<u>\$ 8,117,230</u>	<u>\$ -</u>	<u>\$ 39,368,454</u>	<u>\$ 8,637,603</u>	<u>\$ (31,251,224)</u>	<u>\$ (8,637,603)</u>

Direct Unearned Premium Reserve - \$183.7 million

NOTES TO FINANCIAL STATEMENTS

(2)	DIRECT	REINSURANCE		NET
		Assumed	Ceded	
Contingent Commission	\$ 2,166,676	\$ -	\$ -	\$ 2,166,676
Sliding Scale Adjustment	-	-	-	-
Other	-	-	-	-
Total	<u>\$ 2,166,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,166,676</u>

(3) The Company has no risks attributable to protected cells.

d. Uncollectible Reinsurance

The Company has taken a charge against income in the current year of \$1.0 million for reinsurance balances deemed uncollectible from the companies listed below. This charge is reflected as:

1) Losses/Loss adjustment expenses incurred	\$ 1,021,602
2) Premiums Earned	-

<u>COMPANY NAME</u>	<u>AMOUNT</u>
Banco De Seguros	(290,423)
Chancellor	18,688
Cherokee Ins Co	473,711
CIE Transcontinentale	300,163
Classic Fire and Marine	440,919
Danielson (Mission) Ins Co	(7,812)
Equitas	168,837
Heartland Group, Inc	2,411
Home Insurance Company	(5,433)
Hudson Reinsurance Ltd	(2,931)
Kansas General Ins Co Ltd	138
Kansas Re	(6,791)
Kinsale Brokers	15,000
Lumberman's Mutual	(1,912)
National Employers Mutual	9,094
National Underwriters	18,764
Nem Re-Insurance Corp	308
Orion Insurance	(32,890)
Paris International	(3,336)
Pine Top Ins Co	(43,572)
Pine Top Syndicate	66
Proprietors	133
Reliance Insurance Co	(8,081)
Southern American Ins Co	2,353
US Risk Syndicate	(259)
Union Indemnity Ins Co	(2,808)
W.F. Poe Ins Co	(2,437)
Walton Insurance Ltd	(20,298)
Total	<u>\$ 1,021,602</u>

e. Commutation of Ceded Reinsurance

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

1) Losses/Loss adjustment expenses incurred	\$ 526,154
2) Premiums Earned	-

<u>COMPANY NAME</u>	<u>AMOUNT</u>
Seaton Insurance Company	531,134
Gerling Global	(4,980)
Total	<u>\$ 526,154</u>

f. Retroactive Reinsurance

The Company has none to report.

g. Reinsurance Accounted for as a Deposit

The Company has none to report.

NOTES TO FINANCIAL STATEMENTS

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing known loss development (including IBNR) with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium. The number of the company's policies which can be classified as retrospectively rated is minimal. Based on the method described above, no accrual of return or additional premium was required.

24. Change in Incurred Losses and Loss Adjustment Expenses

As of December 31, 2008 loss reserves were \$350.3 million. As of December 31, 2009, \$78.8 million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$251.9 million as a result of re-estimation of unpaid claims and claims adjustment expenses. Therefore, there has been \$19.6 million of favorable prior year development since last year-end. This compares to \$16.9 million of favorable development on prior years during 2008.

The reserving process has remained consistent throughout 2008 and 2009. An in depth evaluation of loss trends and reserve risks was conducted in 2009. Loss trends remained favorable in 2009 and only a marginal increase in risk factors was considered for booked reserves.

The majority of the favorable development in 2009 came from accident years 2006 and 2004 with sizable contributions also coming from accident years 2005 and 2008. By line of business, the most significant favorable development came from our Other Liability, Commercial Auto Liability and Surety lines. In addition to reported losses on prior accident years being generally less than expected, downward adjustments to the expected loss ratios that are used in calculating actuarial reserve estimates also contributed to the favorable development. Partially offsetting the results on these lines, we experienced unfavorable development on our Ocean Marine line driven primarily by the commercial towing exposure, as well as unfavorable development on accident years 2000 and prior due mostly to environmental exposures from runoff casualty business.

The Company writes only a few retrospectively rated policies and 2009 development on losses and allocated loss adjustment expenses had no effect on accrued premiums.

25. Intercompany Pooling Arrangements

The Company has none to report.

26. Structured Settlements

The Company enters into a very limited number of structured settlements. In each instance, the Company receives a full release of liability from the claimant. No contingent liability exists, should the issuer of the annuity fail to perform under the terms of the annuity.

27. Health Care Receivables

Under the Company's current healthcare plan, effective 8/1/07, the Company receives monthly prescription drug rebates from Blue Cross Blue Shield. Estimated annual drug rebates are less than \$0.1 million. These rebates are netted against monthly health care expenses, and no receivable is recorded. The Company also receives network discount rebates from Methodist Medical Center of Illinois. The Company believes annual rebates will amount to less than \$0.2 million. These rebates are also netted against monthly health care expenses and no receivable is recorded. In addition, a portion of the Methodist network discount rebate is refunded annually to health plan participants who use certain Methodist services throughout the calendar year.

28. Participating Policies

The Company has none to report.

29. Premium Deficiency Reserves

The Company has none to report.

30. High Deductibles

The Company has not recorded a reserve credit for high deductibles on unpaid claims.

31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company has none to report.

32. Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims. The Company's exposure arises from both primary and excess general liability coverage and from reinsurance assumed in the early 1980's. As with other types of claims, the Company estimates the ultimate settlement value of known asbestos and environmental claims through the establishment of case reserves by its claims staff. Bulk IBNR reserves are estimated using past company experience in combination with industry reserving practices because the company's data does not provide reliable patterns on its own.

For asbestos, direct and assumed case incurred losses combined changed very little, but net case incurred losses decreased by about \$2.3 million. This decrease is primarily due to an increase in ceded IBNR resulting from our IBNR allocation process. Pollution emergence is driven by two separate developments in our direct book of business. The first is activity on a pollution claim from our Marine division. Case incurred losses for this claim in 2009 increased by about \$1.7 million direct and \$0.4 million net including payments of \$0.3 million. Additional development was driven by claim activity from the 1980's associated with a company RLI purchased in 1999. Case incurred pollution losses for this book increased by \$0.3 million direct and \$0.4 million net. While none of the claims are large, we have assigned more IBNR to this book of business as a whole, resulting in an increase of incurred losses of about \$1.0 million direct and \$0.8 million net.

NOTES TO FINANCIAL STATEMENTS

The Company's asbestos related losses (including the cost of coverage dispute) for each of the five most recent calendar years is as follows:

	2009	2008	2007	2006	2005
RLI Direct Asbestos					
Beginning reserves	\$ 13,829,024	\$ 12,199,814	\$ 4,194,400	\$ 2,314,494	\$ 2,380,865
Incurred losses and lae	(1,807,245)	1,657,269	8,031,905	1,907,197	-
Calendar year payments for losses and lae	12,057	28,059	26,491	27,291	66,371
Total ending reserves	<u>\$ 12,009,722</u>	<u>\$ 13,829,024</u>	<u>\$ 12,199,814</u>	<u>\$ 4,194,400</u>	<u>\$ 2,314,494</u>
Ending IBNR	<u>\$ 7,603,091</u>	<u>\$ 9,386,057</u>	<u>\$ 7,684,413</u>	<u>\$ 2,197,166</u>	<u>\$ 306,346</u>
(b) IBNR - Losses	6,842,782	8,447,451	6,915,972	2,020,375	275,711
(c) IBNR LAE	760,309	938,606	768,441	176,791	30,635
RLI Assumed Asbestos					
Beginning reserves	\$ 18,737,059	\$ 20,189,148	\$ 9,868,328	\$ 7,725,537	\$ 4,300,273
Incurred losses and lae	1,699,931	2,141,153	10,397,137	3,656,632	3,500,000
Calendar year payments for losses and lae	1,035,940	3,593,243	76,317	1,513,841	74,736
Total ending reserves	<u>\$ 19,401,050</u>	<u>\$ 18,737,058</u>	<u>\$ 20,189,148</u>	<u>\$ 9,868,328</u>	<u>\$ 7,725,537</u>
Ending IBNR	<u>\$ 9,603,698</u>	<u>\$ 8,327,582</u>	<u>\$ 9,507,059</u>	<u>\$ 4,218,662</u>	<u>\$ 598,365</u>
(b) IBNR - Losses	8,643,328	7,494,823	8,556,353	3,824,940	538,528
(c) IBNR LAE	960,370	832,759	950,706	393,722	59,836
RLI Net Asbestos					
Beginning reserves	\$ 23,161,631	\$ 21,734,340	\$ 10,922,800	\$ 5,257,479	\$ 3,361,299
Incurred losses and lae	(2,302,010)	4,091,185	10,891,458	6,744,524	2,000,000
Calendar year payments for losses and lae	85,137	2,663,893	79,919	1,079,203	103,820
Total ending reserves	<u>\$ 20,774,484</u>	<u>\$ 23,161,632</u>	<u>\$ 21,734,339</u>	<u>\$ 10,922,800</u>	<u>\$ 5,257,479</u>
Ending IBNR	<u>\$ 9,601,967</u>	<u>\$ 12,163,184</u>	<u>\$ 10,660,479</u>	<u>\$ 5,994,468</u>	<u>\$ 524,929</u>
(b) IBNR - Losses	8,641,770	10,946,865	9,594,431	5,440,804	472,436
(c) IBNR LAE	960,197	1,216,319	1,066,048	553,664	52,493

The Company's environmental related losses (including the cost of coverage dispute) for each of the five most recent calendar years is as follows:

	2009	2008	2007	2006	2005
RLI Direct Environmental					
Beginning reserves	\$ 7,950,462	\$ 5,700,426	\$ 4,891,168	\$ 13,786,812	\$ 14,505,359
Incurred losses and lae	2,463,009	2,583,285	1,257,851	(4,765,638)	-
Calendar year payments for losses and lae	490,898	333,249	448,593	4,130,006	718,547
Total ending reserves	<u>\$ 9,922,573</u>	<u>\$ 7,950,462</u>	<u>\$ 5,700,426</u>	<u>\$ 4,891,168</u>	<u>\$ 13,786,812</u>
Ending IBNR	<u>\$ 5,344,776</u>	<u>\$ 5,114,776</u>	<u>\$ 3,446,355</u>	<u>\$ 3,003,657</u>	<u>\$ 7,632,223</u>
(b) IBNR - Losses	4,543,060	4,347,560	2,929,402	2,589,234	6,487,390
(c) IBNR LAE	801,716	767,216	516,953	414,423	1,144,833
RLI Assumed Environmental					
Beginning reserves	\$ 1,627,888	\$ 1,340,099	\$ 2,861,566	\$ 1,913,950	\$ 1,966,957
Incurred losses and lae	202,223	331,174	(532,486)	969,574	-
Calendar year payments for losses and lae	50,896	43,385	988,981	21,958	53,007
Total ending reserves	<u>\$ 1,779,215</u>	<u>\$ 1,627,888</u>	<u>\$ 1,340,099</u>	<u>\$ 2,861,566</u>	<u>\$ 1,913,950</u>
Ending IBNR	<u>\$ 880,727</u>	<u>\$ 701,800</u>	<u>\$ 631,052</u>	<u>\$ 1,175,755</u>	<u>\$ 1,052,999</u>
(b) IBNR - Losses	748,618	596,530	536,394	1,070,872	895,049
(c) IBNR LAE	132,109	105,270	94,658	104,883	157,950
RLI Net Environmental					
Beginning reserves	\$ 5,088,273	\$ 3,998,594	\$ 5,133,212	\$ 5,759,126	\$ 6,356,975
Incurred losses and lae	913,014	1,223,841	(321,139)	1,449,945	-
Calendar year payments for losses and lae	431,742	134,163	813,478	2,075,859	597,849
Total ending reserves	<u>\$ 5,569,545</u>	<u>\$ 5,088,272</u>	<u>\$ 3,998,595</u>	<u>\$ 5,133,212</u>	<u>\$ 5,759,126</u>
Ending IBNR	<u>\$ 2,699,459</u>	<u>\$ 2,722,845</u>	<u>\$ 2,064,952</u>	<u>\$ 3,135,374</u>	<u>\$ 2,992,719</u>
(b) IBNR - Losses	2,294,540	2,314,418	1,755,209	2,821,917	2,543,811
(c) IBNR LAE	404,919	408,427	309,743	313,457	448,908

33. Subscriber Savings Accounts

The Company has none to report.

34. Multiple Peril Crop Insurance

The Company has none to report.

35. Financial Guaranty Insurance

The Company has none to report.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] NA []
- 1.3 State Regulating? Illinois.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2008
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2003
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).06/21/2005
- 3.4 By what department or departments? Illinois Department of Insurance.....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [X] No [] NA []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] NA []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....
.....
.....
.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity
.....
.....
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG LLP; 303 East Wacker Drive; Chicago, IL 60601
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Phillip S. Moore, AVP-Actuarial Services; RLI Insurance Company; 9025 N Lindbergh Drive; Peoria, IL 61615
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved.....
- 11.13 Total book/adjusted carrying value..... \$.....
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] NA []
- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?..... Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?..... Yes [X] No []

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers .. \$0
 - 18.12 To stockholders not officers ... \$0
 - 18.13 Trustees, supreme or grand (Fraternal only) \$0
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers ... \$0
 - 18.22 To stockholders not officers \$0
 - 18.23 Trustees, supreme or grand (Fraternal only) \$0
- 19.1 Were any assets reported in the statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$
 - 19.22 Borrowed from others \$
 - 19.23 Leased from others \$
 - 19.24 Other \$
- 20.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$
 - 20.22 Amount paid as expenses \$
 - 20.23 Other amounts paid \$
- 21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)..... Yes [] No [X]
- 22.2 If no, give full and complete information relating thereto:
On 12/31/2009, the Company had securities on deposit with multiple states.
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?..... Yes [] No [] NA [X]
- 22.5 If answer to 22.4 is YES, report amount of collateral \$
- 22.6 If answer to 22.4 is NO, report amount of collateral..... \$
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements \$
 - 23.22 Subject to reverse repurchase agreements..... \$
 - 23.23 Subject to dollar repurchase agreements..... \$
 - 23.24 Subject to reverse dollar repurchase agreements..... \$
 - 23.25 Pledged as collateral..... \$
 - 23.26 Placed under option agreements..... \$
 - 23.27 Letter stock or securities restricted as to sale..... \$
 - 23.28 On deposit with state or other regulatory body..... \$4,510,765
 - 23.29 Other..... \$
- 23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA [X]
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [] No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase Bank, NA.....	227 W Monroe Street; Chicago, IL 60603.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No []
 26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
107423.....	Conning Asset Management Co.....	One Financial Plaza; Hartford, CT 06103.....
105990.....	David Vaughan Investments, Inc.....	5223 N Forest Park Drive; Peoria IL 61614.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No []
 27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
27.2999	TOTAL	0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding Of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	609,137,496	622,384,669	13,247,173
28.2 Preferred stocks.....	0	0	0
28.3 Totals	609,137,496	622,384,669	13,247,173

28.4 Describe the sources or methods utilized in determining the fair values:

Interactive Data Corporation; PO Box 98616; Chicago, IL 60693

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [X] No []

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?..... Yes [X] No []

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

30.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$934,489

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
Insurance Services Office.....	635,350

32.1 Amount of payments for legal expenses, if any?.....\$430,850

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
.....	
.....	

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$0

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
.....	
.....	

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. \$0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$

1.31 Reason for excluding

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$0

1.6 Individual policies:

Most current three years:

- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives 0

All years prior to most current three years:

- 1.64 Total premium earned \$0
- 1.65 Total incurred claims \$0
- 1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

- 1.71 Total premium earned \$0
- 1.72 Total incurred claims \$0
- 1.73 Number of covered lives 0

All years prior to most current three years:

- 1.74 Total premium earned \$0
- 1.75 Total incurred claims \$0
- 1.76 Number of covered lives 0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$0	\$	.....0
2.2	Premium Denominator	\$277,947,449	\$	.....265,297,702
2.3	Premium Ratio (2.1/2.2)	.....0.000		.....0.000
2.4	Reserve Numerator	\$4	\$	.....4
2.5	Reserve Denominator	\$526,439,789	\$	.....499,255,390
2.6	Reserve Ratio (2.4/2.5)	.....0.000		.....0.000

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

- 3.21 Participating policies \$
- 3.22 Non-participating policies \$

4. For Mutual reporting entities and Reciprocal Exchanges only:

- 4.1 Does the reporting entity issue assessable policies? Yes [] No []
- 4.2 Does the reporting entity issue non-assessable policies? Yes [] No []
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums \$

5. For Reciprocal Exchanges Only:

- 5.1 Does the exchange appoint local agents? Yes [] No []
- 5.2 If yes, is the commission paid:

- 5.21 Out of Attorney's-in-fact compensation Yes [] No [] NA []
- 5.22 As a direct expense of the exchange Yes [] No [] NA []

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [] No []

5.5 If yes, give full information

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:.....
 N/A.....
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:.....
 The Company uses RMS modeling software to estimate probable maximum loss arising from property coverages concentrated in California and Florida.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?.....
 The Company purchases catastrophe reinsurance coverage and complies with internally established maximum policy limits per region.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?..... Yes [X] No []
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss.

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?..... Yes [] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.....
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?..... Yes [] No []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?..... Yes [X] No []
- 8.2 If yes, give full information
 Reinsurance agreements with Seaton Insurance Company and Gerling, which were in runoff, were commuted during 2009.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity..... Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract..... Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?..... Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or,..... Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or..... Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement..... Yes [] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force:..... Yes [] No [X]
 11.2 If yes, give full information
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
 12.11 Unpaid losses..... \$
 12.12 Unpaid underwriting expenses (including loss adjustment expenses)..... \$
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?..... \$
 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [] NA [X]
 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
 12.41 From..... %
 12.42 To..... %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No []
 12.6 If yes, state the amount thereof at December 31 of the current year:
 12.61 Letters of Credit..... \$ 309,992,467
 12.62 Collateral and other funds..... \$ 113,756,280
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 7,500,000
 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract?..... Yes [X] No []
 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Each cedant (statutory company) is charged the reinsurance contract rate and receives applicable recoveries.....
 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?..... Yes [X] No []
 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?..... Yes [] No []
 14.5 If answer to 14.4 is no, please explain:
- 15.1 Has the reporting entity guaranteed any financed premium accounts?..... Yes [] No [X]
 15.2 If yes, give full information
- 16.1 Does the reporting entity write any warranty business? Yes [] No [X]
 If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home	\$	\$	\$	\$	\$
16.12 Products	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$

* Disclose type of coverage:

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes No

Incurred but not reported losses on contracts not in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ 1,200,000
17.12	Unfunded portion of Interrogatory 17.11	\$ 852,000
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$
17.14	Case reserves portion of Interrogatory 17.11	\$
17.15	Incurred but not reported portion of Interrogatory 17.11	\$ 1,200,000
17.16	Unearned premium portion of Interrogatory 17.11	\$
17.17	Contingent commission portion of Interrogatory 17.11	\$

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$
17.19	Unfunded portion of Interrogatory 17.18	\$
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$
17.21	Case reserves portion of Interrogatory 17.18	\$
17.22	Incurred but not reported portion of Interrogatory 17.18	\$
17.23	Unearned premium portion of Interrogatory 17.18	\$
17.24	Contingent commission portion of Interrogatory 17.18	\$

18.1 Do you act as a custodian for health savings accounts? Yes No

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$

18.3 Do you act as an administrator for health savings accounts? Yes No

18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2009	2 2008	3 2007	4 2006	5 2005
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	190,095,806	186,945,809	188,918,025	205,318,659	209,081,110
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	37,630,303	27,297,600	23,912,807	30,195,485	54,247,352
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	55,774,636	64,385,304	53,749,574	40,448,223	24,843,179
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	89,933,452	76,279,929	70,023,849	66,049,173	60,203,610
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
6. Total (Line 35)	373,434,197	354,908,642	336,604,255	342,011,540	348,375,251
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	126,235,722	122,947,463	120,854,309	115,647,502	120,212,677
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	32,976,376	25,203,806	22,115,760	18,166,375	20,282,072
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	48,354,586	55,524,640	44,966,561	33,491,400	20,520,074
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	75,303,596	70,738,340	65,343,011	62,119,078	55,530,328
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
12. Total (Line 35)	282,870,280	274,414,249	253,279,641	229,424,355	216,545,151
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	21,345,494	28,233,295	43,124,715	23,094,555	12,605,161
14. Net investment gain (loss) (Line 11)	21,541,532	19,314,763	105,749,979	57,548,037	39,083,251
15. Total other income (Line 15)	(417,744)	87,738	192,179	724,733	897,572
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	13,521,562	20,921,262	22,861,220	5,656,825	14,287,821
18. Net income (Line 20)	28,947,720	26,714,534	126,205,653	75,710,500	38,298,163
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,426,811,031	1,279,073,667	1,351,885,102	1,366,310,095	1,300,270,576
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	45,043,314	45,787,561	33,873,966	50,176,886	54,880,790
20.2 Deferred and not yet due (Line 13.2)	0	0	0	0	0
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	642,650,183	601,032,498	599,880,777	619,404,680	609,723,904
22. Losses (Page 3, Line 1)	314,243,433	293,176,386	281,326,555	303,516,754	300,208,388
23. Loss adjustment expenses (Page 3, Line 3)	58,872,394	57,129,402	59,770,036	55,500,855	51,456,920
24. Unearned premiums (Page 3, Line 9)	153,088,592	148,165,761	139,049,214	130,212,740	128,759,357
25. Capital paid up (Page 3, Lines 28 & 29)	10,000,375	10,000,375	10,000,375	10,000,375	10,000,375
26. Surplus as regards policyholders (Page 3, Line 35)	784,160,848	678,041,169	752,004,325	746,905,415	690,546,672
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	65,824,675	65,648,974	107,459,049	42,944,904	67,956,259
Risk-Based Capital Analysis					
28. Total adjusted capital	784,160,848	678,041,169	752,004,325	746,905,415	690,546,672
29. Authorized control level risk-based capital	78,438,542	77,788,707	79,833,666	84,652,934	81,317,454
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	40.8	39.7	43.0	45.0	47.2
31. Stocks (Lines 2.1 & 2.2)	54.5	53.4	54.2	51.7	50.6
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.6	0.7	0.5	0.5	0.5
34. Cash, cash equivalents and short-term investments (Line 5)	4.0	4.8	2.3	2.1	1.2
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.1	0.0	0.0	0.7	0.5
37. Receivables for securities (Line 8)	0.0	1.4	0.1	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)	0	0	0	0	0
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)	0	0	0	0	0
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	568,001,446	472,747,764	456,713,953	418,698,094	404,485,860
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
44. Affiliated mortgage loans on real estate	0	0	0	0	0
45. All other affiliated	0	0	0	0	0
46. Total of above Lines 40 to 45	568,001,446	472,747,764	456,713,953	418,698,094	404,485,860
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	72.4	69.7	60.7	56.1	58.6

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2009	2 2008	3 2007	4 2006	5 2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	116,714,745	(31,890,770)	25,554,010	45,421,257	62,831,923
49. Dividends to stockholders (Line 35)	(40,000,000)	(70,000,000)	(149,722,427)	(59,495,808)	(13,036,489)
50. Change in surplus as regards policyholders for the year (Line 38)	106,119,679	(73,963,156)	5,098,910	56,358,743	84,579,869
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	62,410,887	69,130,981	78,726,011	114,468,014	109,848,178
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	13,152,609	9,653,100	14,188,510	66,582,160	34,952,601
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	32,448,640	21,182,724	12,315,337	10,441,178	3,439,458
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,399,919	5,020,537	18,593,356	1,442,888	11,464,110
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,319,008	3,843,162	1,289,468	1,534,054	325,864
56. Total (Line 35)	112,731,063	108,830,504	125,112,682	194,468,294	160,030,211
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	38,434,475	43,540,628	50,178,321	42,941,225	49,354,980
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	12,388,542	9,882,398	11,766,064	19,154,623	23,007,776
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	28,903,737	19,423,084	10,569,351	6,411,489	3,226,241
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,924,739	3,832,426	9,625,524	1,783,753	4,606,528
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(569,098)	1,864,760	710,784	920,821	202,232
62. Total (Line 35)	81,082,395	78,543,296	82,850,044	71,211,911	80,397,757
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	36.8	34.1	24.8	32.7	38.4
65. Loss expenses incurred (Line 3)	9.7	10.3	12.0	13.3	14.2
66. Other underwriting expenses incurred (Line 4)	45.9	45.0	45.6	43.9	41.8
67. Net underwriting gain (loss) (Line 8)	7.7	10.6	17.6	10.1	5.6
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	45.3	43.4	43.9	43.3	42.7
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	46.4	44.4	36.8	45.9	52.6
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	36.1	40.5	33.7	30.7	31.4
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(18,841)	(16,888)	(31,456)	(7,823)	(12,861)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(2.8)	(2.2)	(4.2)	(1.1)	(2.1)
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	(32,727)	(40,001)	(31,258)	(25,594)	(14,306)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(4.4)	(5.4)	(4.5)	(4.2)	(2.6)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []

If no, please explain:

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
				Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
1. Prior	XXX	XXX	XXX	2,163	1,423	2,285	681	226	5	531	2,565	XXX
2. 2000	307,640	132,968	174,672	223,303	140,516	23,143	11,777	10,648	1,577	10,396	103,224	XXX
3. 2001	366,749	163,454	203,295	164,667	79,471	24,282	9,051	13,092	2,054	20,636	111,465	XXX
4. 2002	405,737	182,110	223,627	213,529	129,810	45,166	22,956	12,788	1,584	19,065	117,133	XXX
5. 2003	392,381	141,618	250,763	167,064	78,158	23,164	6,359	12,627	781	15,387	117,557	XXX
6. 2004	368,887	120,265	248,622	117,691	32,120	20,097	2,893	12,596	165	17,580	115,206	XXX
7. 2005	348,937	125,505	223,432	121,741	56,840	17,770	4,298	11,008	307	8,399	89,074	XXX
8. 2006	349,351	121,380	227,971	71,560	21,175	11,058	3,294	8,395	101	8,118	66,443	XXX
9. 2007	342,778	98,335	244,443	59,256	12,272	7,155	1,281	7,798	103	2,922	60,553	XXX
10. 2008	342,315	77,017	265,298	54,052	8,822	3,230	420	7,275	29	4,562	55,286	XXX
11. 2009	364,461	86,513	277,948	24,125	1,375	778	69	3,941	12	7,930	27,388	XXX
12. Totals	XXX	XXX	XXX	1,219,151	561,982	178,128	63,079	100,394	6,718	115,526	865,894	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
1.	24,255	7,412	38,677	13,962	7,038	832	3,617	1,557	889	5	28	50,708	XXX
2.	27,026	24,961	5,697	(1,382)	1,713	707	553	106	240	0	296	10,837	XXX
3.	3,314	2,643	5,490	1,760	1,018	619	612	237	100	0	47	5,275	XXX
4.	8,589	6,714	5,611	1,656	1,151	251	608	296	158	2	503	7,198	XXX
5.	1,011	(489)	3,618	1,881	947	243	420	209	161	0	312	4,313	XXX
6.	2,957	411	6,157	1,467	1,105	207	713	238	244	0	657	8,853	XXX
7.	18,021	6,781	6,051	1,937	2,224	882	838	386	631	34	434	17,745	XXX
8.	14,894	3,327	11,223	4,132	2,456	831	1,388	484	977	61	322	22,103	XXX
9.	43,168	17,639	41,826	23,904	3,740	1,036	5,052	2,662	1,634	41	1,384	50,138	XXX
10.	33,713	3,113	60,258	27,367	4,151	183	7,019	3,042	3,265	2	2,928	74,699	XXX
11.	51,198	14,944	100,439	34,810	3,683	1,044	11,173	3,863	9,436	22	5,872	121,246	XXX
12. Totals	228,146	87,456	285,047	111,494	29,226	6,835	31,993	13,080	17,735	167	12,783	373,115	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
	1.	XXX	XXX	XXX	XXX	XXX	XXX	0		0	XXX	41,558	9,150
2.	292,323	178,262	114,061	95.0	134.1	65.3	0	0		9,144	1,693
3.	212,575	95,835	116,740	58.0	58.6	57.4	0	0		4,401	874
4.	287,600	163,269	124,331	70.9	89.7	55.6	0	0		5,830	1,368
5.	209,012	87,142	121,870	53.3	61.5	48.6	0	0		3,237	1,076
6.	161,560	37,501	124,059	43.8	31.2	49.9	0	0		7,236	1,617
7.	178,284	71,465	106,819	51.1	56.9	47.8	0	0		15,354	2,391
8.	121,951	33,405	88,546	34.9	27.5	38.8	0	0		18,658	3,445
9.	169,629	58,938	110,691	49.5	59.9	45.3	0	0		43,451	6,687
10.	172,963	42,978	129,985	50.5	55.8	49.0	0	0		63,491	11,208
11.	204,773	56,139	148,634	56.2	64.9	53.5	0	0		101,883	19,363
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	314,243	58,872

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	One Year	Two Year
1. Prior	130,708	130,004	119,843	112,287	117,018	117,996	111,205	119,993	131,397	134,077	2,680	14,084
2. 2000	83,721	90,940	88,177	102,010	101,621	99,535	97,828	98,350	102,679	104,750	2,071	6,400
3. 2001	XXX	101,261	119,052	102,621	105,930	109,054	105,959	104,942	106,368	105,602	(766)	660
4. 2002	XXX	XXX	115,766	122,285	116,700	116,390	117,406	114,380	114,240	112,971	(1,269)	(1,409)
5. 2003	XXX	XXX	XXX	144,650	135,722	126,572	117,839	115,226	111,826	109,863	(1,963)	(5,363)
6. 2004	XXX	XXX	XXX	XXX	131,315	125,898	132,475	121,065	116,219	111,384	(4,835)	(9,681)
7. 2005	XXX	XXX	XXX	XXX	XXX	119,077	123,987	109,308	98,831	95,521	(3,310)	(13,787)
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	102,326	94,305	87,464	79,336	(8,128)	(14,969)
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	110,065	101,722	101,403	(319)	(8,662)
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	122,478	119,476	(3,002)	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	135,291	XXX	XXX
12. Totals											(18,841)	(32,727)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
1. Prior	000	26,012	43,531	49,766	62,041	65,776	70,210	74,805	81,909	84,253	XXX	XXX
2. 2000	23,917	53,530	73,352	80,238	86,300	89,100	89,983	91,884	93,334	94,153	XXX	XXX
3. 2001	XXX	26,802	51,611	67,943	82,182	90,132	93,609	99,317	100,201	100,427	XXX	XXX
4. 2002	XXX	XXX	25,234	44,116	70,923	86,285	94,924	100,186	105,330	105,929	XXX	XXX
5. 2003	XXX	XXX	XXX	28,125	54,984	76,073	87,446	95,861	102,240	105,711	XXX	XXX
6. 2004	XXX	XXX	XXX	XXX	20,818	51,319	73,316	90,572	98,621	102,775	XXX	XXX
7. 2005	XXX	XXX	XXX	XXX	XXX	18,913	41,256	55,656	69,769	78,373	XXX	XXX
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	13,978	34,958	47,197	58,149	XXX	XXX
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	18,504	38,661	52,858	XXX	XXX
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	22,284	48,040	XXX	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,459	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Prior	91,406	73,379	50,280	36,636	33,798	34,524	25,722	18,586	25,542	26,775
2. 2000	42,604	19,141	2,410	10,981	10,332	6,474	5,136	4,276	7,207	7,526
3. 2001	XXX	54,876	48,673	18,548	12,413	11,145	6,507	3,293	5,298	4,105
4. 2002	XXX	XXX	60,502	46,070	25,100	18,425	15,631	9,513	5,377	4,267
5. 2003	XXX	XXX	XXX	77,376	40,869	28,521	14,985	9,361	3,966	1,948
6. 2004	XXX	XXX	XXX	XXX	58,967	38,493	32,781	18,891	9,116	5,165
7. 2005	XXX	XXX	XXX	XXX	XXX	57,285	45,722	25,524	9,847	4,566
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	53,190	33,893	19,960	7,995
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,448	28,331	20,312
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	64,553	36,868
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	72,939

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE RLI INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

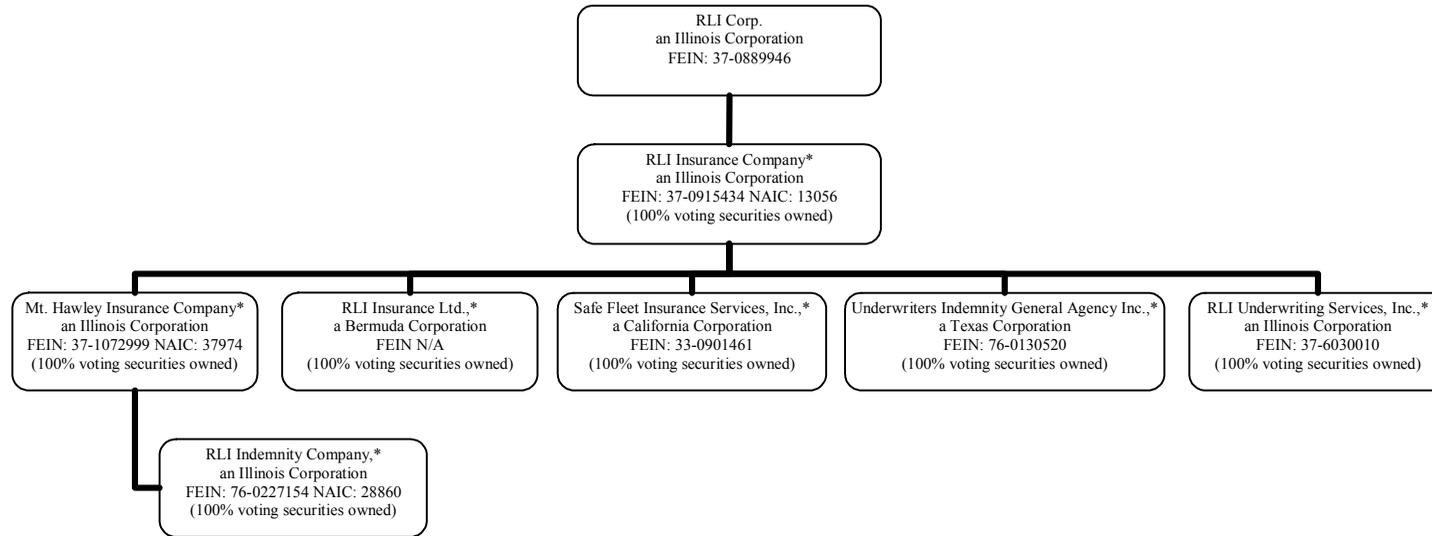
States, etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9	
		2	3							Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
	Active Status	Direct Premiums Written	Direct Premiums Earned							
1. Alabama	AL	L	3,995,935	3,792,798	0	43,893	(171,517)	2,433,588	0	
2. Alaska	AK	L	893,638	936,194	0	238,225	765,724	1,239,065	0	
3. Arizona	AZ	L	5,750,413	6,274,883	0	997,994	673,057	3,205,979	0	55
4. Arkansas	AR	L	3,234,501	3,455,927	0	865,944	3,205,554	7,267,041	0	10,634
5. California	CA	L	31,818,937	31,044,520	0	10,721,602	9,328,305	74,160,670	0	101,095
6. Colorado	CO	L	2,501,823	2,438,298	0	1,758,116	355,625	3,763,501	0	11,849
7. Connecticut	CT	L	4,452,418	3,867,559	0	1,137,207	3,147,683	19,638,510	0	1,831
8. Delaware	DE	L	1,164,508	1,114,198	0	70,966	1,186,978	6,543,848	0	(1,742)
9. District of Columbia	DC	L	1,624,883	881,580	0	118,185	415,656	896,974	0	817
10. Florida	FL	L	25,550,137	25,306,040	0	9,093,752	9,005,726	33,010,659	0	46,871
11. Georgia	GA	L	5,738,071	5,575,784	0	470,249	(34,520)	7,815,935	0	15,461
12. Hawaii	HI	L	14,423,106	14,848,804	0	3,210,261	2,848,326	4,631,191	0	
13. Idaho	ID	L	878,749	792,285	0	5,433	(16,313)	658,730	0	
14. Illinois	IL	L	11,515,467	10,541,871	0	11,057,553	(1,358,408)	14,610,009	0	37,996
15. Indiana	IN	L	2,671,710	2,553,760	0	911,298	952,590	3,415,858	0	24,412
16. Iowa	IA	L	1,519,502	1,760,190	0	131,328	1,163,706	2,017,658	0	
17. Kansas	KS	L	4,456,821	4,155,972	0	1,462,307	3,157,638	4,465,381	0	494
18. Kentucky	KY	L	2,475,628	2,250,673	0	2,728,958	433,268	4,181,219	0	671
19. Louisiana	LA	L	8,384,090	8,004,515	0	2,758,193	2,965,938	8,279,306	0	
20. Maine	ME	L	1,157,431	1,082,088	0	27,217	(134,768)	715,627	0	
21. Maryland	MD	L	5,913,568	5,465,160	0	748,876	1,771,908	5,023,513	0	8,190
22. Massachusetts	MA	L	6,584,298	6,137,969	0	1,021,484	864,009	6,516,939	0	54,735
23. Michigan	MI	L	5,007,603	5,030,250	0	613,244	308,678	6,819,522	0	17,031
24. Minnesota	MN	L	5,065,239	4,862,885	0	507,513	1,439,425	6,564,736	0	6,659
25. Mississippi	MS	L	2,994,646	3,064,140	0	1,169,677	2,000,214	4,468,170	0	
26. Missouri	MO	L	4,245,552	4,955,009	0	3,121,734	6,842,462	10,525,570	0	3,040
27. Montana	MT	L	943,959	910,324	0	11,468	(157,678)	639,818	0	
28. Nebraska	NE	L	1,496,516	1,542,179	0	237,612	697,958	1,616,941	0	5,631
29. Nevada	NV	L	1,928,808	1,965,195	0	1,645,668	597,949	1,826,982	0	9,949
30. New Hampshire	NH	L	575,656	618,948	0	57,879	81,727	1,899,475	0	
31. New Jersey	NJ	L	17,502,828	17,141,051	0	8,447,901	2,410,008	16,132,191	0	2,373
32. New Mexico	NM	L	1,921,439	1,779,529	0	133,495	27,239	875,274	0	
33. New York	NY	L	61,752,374	59,312,876	0	14,587,585	21,030,264	71,213,290	0	47,461
34. North Carolina	NC	L	7,082,993	5,966,771	0	229,769	601,715	4,267,917	0	580
35. North Dakota	ND	L	407,168	390,168	0	34,556	(197,680)	468,587	0	
36. Ohio	OH	L	8,328,189	8,184,106	0	3,692,507	2,095,492	7,696,608	0	25,891
37. Oklahoma	OK	L	3,835,426	3,840,719	0	834,843	1,083,829	3,164,643	0	
38. Oregon	OR	L	2,962,609	2,511,637	0	235,117	628,838	5,641,311	0	
39. Pennsylvania	PA	L	11,277,549	11,717,101	0	3,821,464	3,057,528	18,309,153	0	13,979
40. Rhode Island	RI	L	894,894	921,293	0	147,899	144,890	996,506	0	540
41. South Carolina	SC	L	2,732,158	2,803,366	0	401,620	440,002	2,518,942	0	3,460
42. South Dakota	SD	L	391,816	421,220	0	23,018	(12,215)	1,426,301	0	
43. Tennessee	TN	L	6,839,385	6,752,473	0	1,600,346	(507,014)	11,627,734	0	43,944
44. Texas	TX	L	24,942,534	23,954,925	0	5,697,592	9,868,709	43,060,909	0	24,600
45. Utah	UT	L	853,241	766,816	0	20,556	(109,877)	462,697	0	(1)
46. Vermont	VT	L	462,505	432,369	0	0	(25,016)	241,993	0	(10)
47. Virginia	VA	L	4,287,006	3,867,094	0	737,252	1,426,363	3,671,759	0	21,139
48. Washington	WA	L	6,823,912	6,221,143	0	934,347	1,328,451	7,392,688	0	
49. West Virginia	WV	L	1,880,365	1,814,165	0	404,633	769,296	1,275,728	0	1,128
50. Wisconsin	WI	L	3,592,111	5,192,419	0	4,133,096	809,107	7,891,329	0	67,792
51. Wyoming	WY	L	759,427	629,913	0	0	50,085	246,366	0	(4)
52. American Samoa	AS	N	0	0	0	0	0	0	0	
53. Guam	GU	N	0	0	0	0	0	0	0	
54. Puerto Rico	PR	L	639,947	1,052,579	0	720,854	1,914,160	1,786,494	0	
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0	
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0	0	
57. Canada	CN	N	0	0	0	0	0	0	0	
58. Aggregate other alien	OT	XXX	16,155,217	17,483,166	0	5,594,090	13,322,863	17,664,736	0	0
59. Totals	(a) 52		355,288,706	348,386,897	0	109,376,376	112,493,937	476,885,571	0	608,551
DETAILS OF WRITE-INS										
5801. Federal Land and Waters	XXX		16,155,217	17,483,166	0	5,594,090	13,322,863	17,664,736	0	0
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX		16,155,217	17,483,166	0	5,594,090	13,322,863	17,664,736	0	0

Explanation of basis of allocation of premiums by states, etc.

(a) Insert the number of L responses except for Canada and Other Alien.

Other Liability and Products Liability - location of the insured; Directors & Officers (included in Other Liability) - location of the insured; Other Commercial Auto Liability - state of domicile; Commercial Auto - states where they are titled & licensed; Fidelity and Surety - state in which obligation exists; Ocean Marine - state where the company is headquartered, unless there is specific fixed property which is allocated to the state where the property is located; Fire, Allied Lines, Homeowners Multi-Peril, Commercial Multi-Peril, Inland Marine, Earthquake, Burglary & Theft, and Boiler & Machinery - state of the property locations; General Program (included in Other Liability and Fire), @Home Business (included in Other Liability), and Personal Umbrella (included in Other Liability) - location where the risk resides.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



*Financial Statements are fully consolidated with RLI Corp.

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Assets	2
Cash Flow	5
Exhibit of Capital Gains (Losses)	12
Exhibit of Net Investment Income	12
Exhibit of Nonadmitted Assets	13
Exhibit of Premiums and Losses (State Page)	19
Five-Year Historical Data	17
General Interrogatories	15
Jurat Page	1
Liabilities, Surplus and Other Funds	3
Notes To Financial Statements	14
Overflow Page For Write-ins	97
Schedule A – Part 1	E01
Schedule A – Part 2	E02
Schedule A – Part 3	E03
Schedule A – Verification Between Years	SI02
Schedule B – Part 1	E04
Schedule B – Part 2	E05
Schedule B – Part 3	E06
Schedule B – Verification Between Years	SI02
Schedule BA – Part 1	E07
Schedule BA – Part 2	E08
Schedule BA – Part 3	E09
Schedule BA – Verification Between Years	SI03
Schedule D – Part 1	E10
Schedule D – Part 1A – Section 1	SI05
Schedule D – Part 1A – Section 2	SI08
Schedule D – Part 2 – Section 1	E11
Schedule D – Part 2 – Section 2	E12
Schedule D – Part 3	E13
Schedule D – Part 4	E14
Schedule D – Part 5	E15
Schedule D – Part 6 – Section 1	E16
Schedule D – Part 6 – Section 2	E16
Schedule D – Summary By Country	SI04
Schedule D – Verification Between Years	SI03
Schedule DA – Part 1	E17

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule DA – Verification Between Years	SI11
Schedule DB – Part A – Section 1	E18
Schedule DB – Part A – Section 2	E18
Schedule DB – Part A – Section 3	E19
Schedule DB – Part A – Verification Between Years	SI12
Schedule DB – Part B – Section 1	E19
Schedule DB – Part B – Section 2	E20
Schedule DB – Part B – Section 3	E20
Schedule DB – Part B – Verification Between Years	SI12
Schedule DB – Part C – Section 1	E21
Schedule DB – Part C – Section 2	E21
Schedule DB – Part C – Section 3	E22
Schedule DB – Part C – Verification Between Years	SI13
Schedule DB – Part D – Section 1	E22
Schedule DB – Part D – Section 2	E23
Schedule DB – Part D – Section 3	E23
Schedule DB – Part D – Verification Between Years	SI13
Schedule DB – Part E – Section 1	E24
Schedule DB – Part E – Verification	SI13
Schedule DB – Part F – Section 1	SI14
Schedule DB – Part F – Section 2	SI15
Schedule E – Part 1 – Cash	E25
Schedule E – Part 2 – Cash Equivalents	E26
Schedule E – Part 3 – Special Deposits	E27
Schedule E – Verification Between Years	SI16
Schedule F – Part 1	20
Schedule F – Part 2	21
Schedule F – Part 3	22
Schedule F – Part 4	23
Schedule F – Part 5	24
Schedule F – Part 6	25
Schedule F – Part 7	26
Schedule F – Part 8	27
Schedule H – Accident and Health Exhibit – Part 1	28
Schedule H – Parts – 2, 3, and 4	29
Schedule H – Part 5 – Health Claims	30
Schedule P – Part 1 – Analysis of Losses and Loss Expenses	31
Schedule P – Part 1A – Homeowners/Farmowners	33
Schedule P – Part 1B – Private Passenger Auto Liability/Medical	34
Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	35
Schedule P – Part 1D – Workers' Compensation	36

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 1E – Commercial Multiple Peril	37
Schedule P – Part 1F – Section 1 – Medical Professional Liability – Occurrence	38
Schedule P – Part 1F – Section 2 – Medical Professional Liability – Claims-Made	39
Schedule P – Part 1G - Special Liability (Ocean, Marine, Aircraft (All Perils), Boiler and Machinery)	40
Schedule P – Part 1H – Section 1 – Other Liability–Occurrence	41
Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	42
Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	43
Schedule P – Part 1J – Auto Physical Damage	44
Schedule P – Part 1K – Fidelity/Surety	45
Schedule P – Part 1L – Other (Including Credit, Accident and Health)	46
Schedule P – Part 1M – International	47
Schedule P – Part 1N – Reinsurance	48
Schedule P – Part 1O – Reinsurance	49
Schedule P – Part 1P – Reinsurance	50
Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	51
Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	52
Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	53
Schedule P – Part 1T – Warranty	54
Schedule P – Part 2, Part 3 and Part 4 - Summary	32
Schedule P – Part 2A – Homeowners/Farmowners	55
Schedule P – Part 2B – Private Passenger Auto Liability/Medical	55
Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	55
Schedule P – Part 2D – Workers’ Compensation	55
Schedule P – Part 2E – Commercial Multiple Peril	55
Schedule P – Part 2F – Section 1 – Medical Professional Liability – Occurrence	56
Schedule P – Part 2F – Section 2 – Medical Professional Liability – Claims – Made	56
Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	56
Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	56
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	56
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	57
Schedule P – Part 2J – Auto Physical Damage	57
Schedule P – Part 2K – Fidelity, Surety	57
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	57
Schedule P – Part 2M – International	57
Schedule P – Part 2N – Reinsurance	58
Schedule P – Part 2O – Reinsurance	58
Schedule P – Part 2P – Reinsurance	58
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	59
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	59
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	59
Schedule P – Part 2T – Warranty	59
Schedule P – Part 3A – Homeowners/Farmowners	60

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 3B – Private Passenger Auto Liability/Medical	60
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	60
Schedule P – Part 3D – Workers' Compensation	60
Schedule P – Part 3E – Commercial Multiple Peril	60
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	61
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	61
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	61
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	61
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	61
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	62
Schedule P – Part 3J – Auto Physical Damage	62
Schedule P – Part 3K – Fidelity/Surety	62
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	62
Schedule P – Part 3M – International	62
Schedule P – Part 3N – Reinsurance	63
Schedule P – Part 3O – Reinsurance	63
Schedule P – Part 3P – Reinsurance	63
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	64
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	64
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	64
Schedule P – Part 3T – Warranty	64
Schedule P – Part 4A – Homeowners/Farmowners	65
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	65
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	65
Schedule P – Part 4D – Workers' Compensation	65
Schedule P – Part 4E – Commercial Multiple Peril	65
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	66
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	66
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	66
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	66
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	66
Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	67
Schedule P – Part 4J – Auto Physical Damage	67
Schedule P – Part 4K – Fidelity/Surety	67
Schedule P – Part 4L – Other (Including Credit, Accident and Health)	67
Schedule P – Part 4M – International	67
Schedule P – Part 4N – Reinsurance	68
Schedule P – Part 4O – Reinsurance	68
Schedule P – Part 4P – Reinsurance	68
Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	69
Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	69

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	69
Schedule P – Part 4T – Warranty	69
Schedule P – Part 5A – Homeowners/Farmowners	70
Schedule P – Part 5B – Private Passenger Auto Liability/Medical	71
Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	72
Schedule P – Part 5D – Workers’ Compensation	73
Schedule P – Part 5E – Commercial Multiple Peril	74
Schedule P – Part 5F – Medical Professional Liability – Claims-Made	76
Schedule P – Part 5F – Medical Professional Liability – Occurrence	75
Schedule P – Part 5H – Other Liability – Claims-Made	78
Schedule P – Part 5H – Other Liability – Occurrence	77
Schedule P – Part 5R – Products Liability – Claims-Made	80
Schedule P – Part 5R – Products Liability – Occurrence	79
Schedule P – Part 5T – Warranty	81
Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	82
Schedule P – Part 6D – Workers’ Compensation	82
Schedule P – Part 6E – Commercial Multiple Peril	83
Schedule P – Part 6H – Other Liability – Claims-Made	84
Schedule P – Part 6H – Other Liability – Occurrence	83
Schedule P – Part 6M – International	84
Schedule P – Part 6N – Reinsurance	85
Schedule P – Part 6O – Reinsurance	85
Schedule P – Part 6R – Products Liability – Claims-Made	86
Schedule P – Part 6R – Products Liability – Occurrence	86
Schedule P – Part 7A – Primary Loss Sensitive Contracts	87
Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	89
Schedule P Interrogatories	91
Schedule T – Exhibit of Premiums Written	92
Schedule T – Part 2 – Interstate Compact	93
Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	94
Schedule Y – Part 2 – Summary of Insurer’s Transactions With Any Affiliates	95
Statement of Income	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	96
Underwriting and Investment Exhibit Part 1	6
Underwriting and Investment Exhibit Part 1A	7
Underwriting and Investment Exhibit Part 1B	8
Underwriting and Investment Exhibit Part 2	9
Underwriting and Investment Exhibit Part 2A	10
Underwriting and Investment Exhibit Part 3	11

