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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2026

or

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

For the transition period from to

Commission File Number: 001-09463

RLI Corp.
(Exact name of registrant as specified in its charter)

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

(309) 692-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock $0.01 par value	**RLI**	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
			Emerging growth company ☐

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of April 15, 2026, the number of shares outstanding of the registrant's Common Stock was 91,938,331.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RLI Corp. and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Earnings
(Unaudited)

(in thousands, except per share data)	For the Three Months Ended March 31, 2026	2025
Net premiums earned	$ 411,386	$ 398,345
Net investment income	42,321	36,726
Net realized gains	9,559	14,912
Net unrealized gains (losses) on equity securities	(39,396)	(42,318)
Consolidated revenue	$ 423,870	$ 407,665
Losses and settlement expenses	193,244	177,238
Policy acquisition costs	132,075	123,687
Insurance operating expenses	28,280	26,874
Interest expense on debt	2,353	1,335
General corporate expenses	2,724	2,948
Total expenses	$ 358,676	$ 332,082
Equity in earnings of unconsolidated investees	2,147	3,048
Earnings before income taxes	$ 67,341	$ 78,631
Income tax expense	12,456	15,417
Net earnings	$ 54,885	$ 63,214
Other comprehensive earnings (loss), net of tax	(25,366)	30,030
Comprehensive earnings	$ 29,519	$ 93,244
Basic net earnings per share	$ 0.60	$ 0.69
Diluted net earnings per share	$ 0.60	$ 0.68
Weighted average number of common shares outstanding:		
Basic	91,926	91,770
Diluted	92,187	92,528

See accompanying notes to the unaudited condensed consolidated financial statements.

RLI Corp. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except share and per share data)	March 31, 2026	December 31, 2025
ASSETS		
Investments and cash:		
Fixed income:		
Available-for-sale, at fair value	$ 3,528,692	$ 3,533,336
(amortized cost of $3,669,921 and allowance for credit losses of $538 at 3/31/26)		
(amortized cost of $3,642,362 and allowance for credit losses of $828 at 12/31/25)		
Equity securities, at fair value (cost - $539,859 at 3/31/26 and $534,311 at 12/31/25)	864,912	898,876
Short-term investments, at cost which approximates fair value	386,219	120,562
Other invested assets	60,509	59,281
Cash	49,121	51,565
Total investments and cash	$ 4,889,453	$ 4,663,620
Accrued investment income	30,456	30,026
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of $21,696 at 3/31/26 and $23,673 at 12/31/25	243,451	212,226
Ceded unearned premium	118,476	124,669
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of $11,479 at 3/31/26 and $11,107 at 12/31/25	740,503	746,798
Deferred policy acquisition costs	176,187	172,648
Property and equipment, at cost, net of accumulated depreciation of $86,547 at 3/31/26 and $84,459 at 12/31/25	39,809	40,733
Investment in unconsolidated investees	56,053	53,521
Goodwill and intangibles	53,562	53,562
Other assets	53,873	63,683
TOTAL ASSETS	$ 6,401,823	$ 6,161,486
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and settlement expenses	$ 2,927,929	$ 2,886,819
Unearned premiums	991,717	991,636
Reinsurance balances payable	23,455	40,580
Funds held	134,215	127,242
Income taxes-current	26,797	29,724
Income taxes-deferred	5,566	21,769
Short-term debt	50,000	100,000
Long-term debt	297,247	—
Accrued expenses	68,016	128,597
Other liabilities	80,491	56,923
TOTAL LIABILITIES	$ 4,605,433	$ 4,383,290
Shareholders' Equity		
Common stock ($0.01 par value)		
(Shares authorized - 400,000,000)		
(137,794,359 shares issued, 91,933,931 shares outstanding at 3/31/26)		
(137,739,079 shares issued, 91,878,651 shares outstanding at 12/31/25)	$ 1,378	$ 1,377
Paid-in capital	380,075	376,679
Accumulated other comprehensive earnings (loss)	(113,440)	(88,074)
Retained earnings	1,921,376	1,881,213
Deferred compensation	11,536	14,082
Less: Treasury shares, at cost (45,860,428 shares at 3/31/26 and 12/31/25)	(404,535)	(407,081)
TOTAL SHAREHOLDERS' EQUITY	$ 1,796,390	$ 1,778,196
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,401,823	$ 6,161,486

See accompanying notes to the unaudited condensed consolidated financial statements.

RLI Corp. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

(in thousands, except share and per share data)	Common Shares	Total Shareholders' Equity	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Deferred Compensation	Treasury Shares at Cost
Balance, January 1, 2025	91,738,132	$ 1,521,967	$ 1,376	$ 367,645	$ (173,723)	$ 1,719,668	$ 13,498	$ (406,497)
Net earnings	—	63,214	—	—	—	63,214	—	—
Other comprehensive earnings (loss), net of tax	—	30,030	—	—	30,030	—	—	—
Deferred compensation	—	—	—	—	—	—	(1,686)	1,686
Share-based compensation	34,602	2,777	—	2,777	—	—	—	—
Dividends and dividend equivalents ($0.15 per share)	—	(13,776)	—	—	—	(13,776)	—	—
Balance, March 31, 2025	91,772,734	$ 1,604,212	$ 1,376	$ 370,422	$ (143,693)	$ 1,769,106	$ 11,812	$ (404,811)

(in thousands, except share and per share data)	Common Shares	Total Shareholders' Equity	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Deferred Compensation	Treasury Shares at Cost
Balance, January 1, 2026	91,878,651	$ 1,778,196	$ 1,377	$ 376,679	$ (88,074)	$ 1,881,213	$ 14,082	$ (407,081)
Net earnings	—	54,885	—	—	—	54,885	—	—
Other comprehensive earnings (loss), net of tax	—	(25,366)	—	—	(25,366)	—	—	—
Deferred compensation	—	—	—	—	—	—	(2,546)	2,546
Share-based compensation	55,280	3,397	1	3,396	—	—	—	—
Dividends and dividend equivalents ($0.16 per share)	—	(14,722)	—	—	—	(14,722)	—	—
Balance, March 31, 2026	91,933,931	$ 1,796,390	$ 1,378	$ 380,075	$ (113,440)	$ 1,921,376	$ 11,536	$ (404,535)

See accompanying notes to the unaudited condensed consolidated financial statements.

RLI Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	For the Three Months Ended March 31, 2026	2025
Net cash provided by operating activities	$ 42,829	$ 103,514
Cash Flows from Investing Activities		
Purchase of:		
Fixed income securities, available-for-sale	$ (195,814)	$ (153,952)
Equity securities	(13,500)	(41,503)
Property and equipment	(1,062)	(1,053)
Other	(3,815)	(2,710)
Proceeds from sale of:		
Fixed income securities, available-for-sale	62,748	10,207
Equity securities	18,205	26,679
Other	747	953
Proceeds from call or maturity of:		
Fixed income securities, available-for-sale	118,529	99,651
Net proceeds from sale (purchase) of short-term investments	(265,657)	(41,686)
Net cash used in investing activities	$ (279,619)	$ (103,414)
Cash Flows from Financing Activities		
Proceeds from issuance of debt	$ 297,223	$ —
Payment of debt	(50,000)	—
Cash dividends paid	(14,707)	(13,761)
Proceeds from stock option exercises	1,830	929
Net cash used in financing activities	$ 234,346	$ (12,832)
Net increase in cash	$ (2,444)	$ (12,732)
Cash at the beginning of the period	51,565	39,790
Cash at March 31,	$ 49,121	$ 27,058

See accompanying notes to the unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements of RLI Corp. (the Company) and subsidiaries have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). These condensed consolidated financial statements do not include all the disclosures required by GAAP for annual financial statements and should be read in conjunction with our 2025 Annual Report on Form 10-K. In the opinion of the Company's management, the condensed consolidated financial statements reflect all adjustments, of a normal and recurring nature, that are necessary for fair financial statement presentation. The results of operations for any interim period are not necessarily indicative of the operating results for a full year. Certain reclassifications were made to 2025 to conform to the classifications used in the current year.

The preparation of the unaudited condensed consolidated financial statements requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the period. These estimates are inherently subject to change and actual results could differ significantly from these estimates.

B. ADOPTED ACCOUNTING STANDARDS

No new accounting standards applicable in 2026 materially impact our financial statements.

C. PROSPECTIVE ACCOUNTING STANDARDS

2024-03—Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses

The guidance in ASU 2024-03 requires disaggregation of certain expenses into specified categories in the notes to the financial statements. Each relevant expense caption on the face of the statement of earnings that includes specific expenses, such as employee compensation, depreciation and intangible asset amortization, are required to be separately disclosed in a tabular presentation. Additionally, a separate total of selling expenses is required to be disclosed, along with a definition of what is included in selling expenses.

This ASU is effective for fiscal years beginning after December 15, 2026 and interim periods beginning after December 15, 2027. Although the Company continues to evaluate the impact of adopting this new accounting standard, the amendments are disclosure-related and should not have a material impact on our financial statements.

2025-06—Intangibles-Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal -Use Software

The guidance in ASU 2025-06 removes the concept of project stages and requires the capitalization of software costs when management has committed to funding the software project and it is probable that the project will be completed. This ASU is effective for fiscal years beginning after December 15, 2027, but early adoption is permitted as of the beginning of an annual reporting period. The Company continues to evaluate the impact of adopting this new accounting standard, but does not expect the standard will have a material impact on our financial statements.

D. REINSURANCE

Ceded unearned premiums and reinsurance balances recoverable on unpaid losses and settlement expenses are reported separately as an asset, rather than being netted with the related liability, since reinsurance does not relieve the Company of our liability to policyholders. Such balances are subject to the credit risk associated with the individual reinsurer. We continually monitor the financial condition of our reinsurers and actively follow up on any past due or disputed amounts. As part of our monitoring efforts, we review reinsurers' annual financial statements and Securities and Exchange Commission filings for those that are publicly traded. We also review insurance industry developments that may impact the financial condition of our reinsurers. We analyze the credit risk associated with our reinsurance balances recoverable by monitoring the AM Best and

Standard & Poor's (S&P) ratings of our reinsurers. We subject our reinsurance balances recoverable to detailed recoverability tests, including a segment-based analysis using the average default rating percentage by S&P rating, which assists the Company in assessing the sufficiency of its allowance. Additionally, we perform an in-depth reinsurer financial condition analysis prior to the renewal of our reinsurance placements.

Our policy is to charge to earnings, in the form of an allowance, an estimate of unrecoverable amounts from reinsurers. This allowance is reviewed on an ongoing basis to ensure that the amount makes a reasonable provision for reinsurance balances that we may be unable to recover. Once regulatory action (such as receivership, finding of insolvency, order of conservation or order of liquidation) is taken against a reinsurer, the paid and unpaid recoverable balances for the reinsurer are specifically identified and written off through the use of our allowance for estimated unrecoverable amounts from reinsurers. When we write-off such a balance, it is done in full. We then re-evaluate the overall allowance and determine whether the balance is sufficient and, if needed, an additional allowance is recognized.

The allowance for uncollectible amounts on paid reinsurance balances receivable was $17 million at March 31, 2026 and December 31, 2025. The allowance for uncollectible amounts on unpaid reinsurance balances recoverable was $11 million at March 31, 2026 and December 31, 2025. Changes in the allowances were due to changes in the amount of reinsurance balances outstanding, the composition of reinsurers from whom the balances were recoverable and their associated S&P default ratings. No write-offs were applied to the allowances in the first three months of 2026 and less than $1 million was recovered.

E. INTANGIBLE ASSETS

The composition of goodwill and intangible assets at March 31, 2026 and December 31, 2025 is detailed in the following table:

(in thousands)	March 31, 2026	December 31, 2025
Goodwill		
Surety	$ 40,816	$ 40,816
Casualty	5,246	5,246
Total goodwill	$ 46,062	$ 46,062
Indefinite-lived intangibles	7,500	7,500
Total goodwill and intangibles	$ 53,562	$ 53,562

Annual impairment assessments were performed on our goodwill and state insurance license indefinite-lived intangible assets during the second quarter of 2025. Based upon these reviews, none of the assets were impaired. In addition, there were no triggering events as of March 31, 2026 that would suggest an updated impairment test would be needed for our goodwill and intangible assets.

F. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock or common stock equivalents were exercised or converted into common stock. When inclusion of these items increases the earnings per share or reduces the loss per share, the effect on earnings is anti-dilutive. Under these circumstances, the diluted net earnings or net loss per share is computed excluding these items. The following represents a reconciliation of the numerator and denominator of the basic and diluted EPS computations contained in the unaudited condensed consolidated financial statements:

(in thousands, except per share data)	For the Three Months Ended March 31, 2026 Income (Numerator)	Shares (Denominator)	Per Share Amount	For the Three Months Ended March 31, 2025 Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
Earnings available to common shareholders	$ 54,885	91,926	$ 0.60	$ 63,214	91,770	$ 0.69
Effect of Dilutive Securities						
Stock options and restricted stock units	—	261		—	758	
Diluted EPS						
Earnings available to common shareholders	$ 54,885	92,187	$ 0.60	$ 63,214	92,528	$ 0.68
Anti-dilutive securities excluded from diluted EPS		1,066			48	

G. COMPREHENSIVE EARNINGS

Our comprehensive earnings include net earnings plus after-tax unrealized gains and losses on our available-for-sale fixed income portfolio. In reporting the components of comprehensive earnings, we used the federal statutory tax rate of 21 percent. Other comprehensive earnings (loss), as shown in the consolidated statements of earnings and comprehensive earnings, is net of tax benefit of $7 million for the first quarter of 2026, compared to $8 million of tax expense for the same period in 2025.

Unrealized losses, net of tax, recognized in other comprehensive earnings (loss) were $25 million for the first three months of 2026, compared to $30 million of unrealized gains, net of tax, in the first three months of 2025. The unrealized losses in 2026 were attributable to an increase in interest rates, which decreased the fair value of securities held in the fixed income portfolio. Interest rates decreased during 2025, which increased the fair value of securities held in the fixed income portfolio.

The following table illustrates the changes in the balance of each component of accumulated other comprehensive earnings (loss) for each period presented in the unaudited condensed consolidated financial statements:

(in thousands)	For the Three Months Ended March 31, 2026	2025
Unrealized Gains (Losses) on Available-for-Sale Securities		
Beginning balance	$ (88,074)	$ (173,723)
Other comprehensive earnings (loss) before reclassifications	(25,977)	29,899
Amounts reclassified from accumulated other comprehensive earnings	611	131
Net current-period other comprehensive earnings (loss)	$ (25,366)	$ 30,030
Ending balance	$ (113,440)	$ (143,693)
Balance of securities for which an allowance for credit losses has been recognized in net earnings	1,710	1,692

Credit losses on or the sale of an available-for-sale security results in amounts being reclassified from accumulated other comprehensive earnings (loss) to current period net earnings. The effects of reclassifications out of accumulated other comprehensive earnings (loss) by the respective line items of net earnings are presented in the following table:

(in thousands)	Amount Reclassified from Accumulated Other Comprehensive Earnings (Loss) For the Three Months Ended March 31,		
Component of Accumulated Other Comprehensive Earnings (Loss)	**2026**	**2025**	**Affected line item in the Statement of Earnings**
Unrealized gains and losses on available-for-sale securities	$ (1,063)	$ (205)	Net realized gains (losses)
	290	40	Credit gains (losses) presented within net realized gains
	$ (773)	$ (165)	Earnings (loss) before income taxes
	162	34	Income tax (expense) benefit
	$ (611)	$ (131)	Net earnings (loss)

H. FAIR VALUE MEASUREMENTS

Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. We determined the fair value of certain financial instruments based on their underlying characteristics and relevant transactions in the marketplace. We maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following are the levels of the fair value hierarchy and a brief description of the type of valuation inputs that are used to establish each level. Financial assets are classified based upon the lowest level of significant input that is used to determine fair value.

Level 1 is applied to valuations based on readily available, unadjusted quoted prices in active markets for identical assets.

Level 2 is applied to valuations based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data.

Level 3 is applied to valuations that are derived from techniques in which one or more of the significant inputs are unobservable.

As a part of management's process to determine fair value, we utilize widely recognized, third-party pricing sources to determine our fair values. We have obtained an understanding of the third-party pricing sources' valuation methodologies and inputs. The following is a description of the valuation techniques used for financial assets that are measured at fair value, including the general classification of such assets pursuant to the fair value hierarchy.

Corporate, Agencies, Government and Municipal Bonds: The pricing vendor employs a multi-dimensional model which uses standard inputs including (listed in approximate order of priority for use) benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers and other reference data. The pricing vendor also monitors market indicators, as well as industry and economic events. All bonds valued using these techniques are classified as Level 2.

Mortgage-backed Securities (MBS)/Commercial Mortgage-backed Securities (CMBS) and Asset-backed Securities (ABS): The pricing vendor evaluation methodology primarily includes interest rate movements and new issue data. Evaluation of the tranches (non-volatile, volatile or credit sensitivity) is based on the pricing vendors' interpretation of accepted modeling and pricing conventions. This information is then used to determine the cash flows for each tranche, benchmark yields, pre-payment assumptions and to incorporate collateral performance. To evaluate MBS and CMBS volatility, an option adjusted spread model is used in combination with models that simulate interest rate paths to determine market price information. This process allows the pricing vendor to obtain evaluations of a broad universe of securities in a way that reflects changes in yield curve, index rates, implied volatility, mortgage rates and recent trade activity. MBS/CMBS and ABS with corroborated, observable inputs are classified as Level 2. All of our MBS/CMBS and ABS are deemed Level 2.

Regulation D Private Placement Securities: All Regulation D privately-placed bonds are classified as corporate securities and deemed Level 3. The pricing vendor evaluation methodology for these securities includes a combination of observable and unobservable inputs. Observable inputs include public corporate spread matrices classified by sector, rating and average life, as well as investment and non-investment grade matrices created from fixed income indices. Unobservable inputs include a liquidity spread premium calculated based on public corporate spread and private corporate spread matrices. The quantitative detail of the liquidity spread premium is neither provided nor reasonably available to the Company. An increase to the credit spread assumptions would result in a lower fair value.

For all of our fixed income securities classified as Level 2, we periodically conduct a review to assess the reasonableness of the fair values provided by our pricing services. Our review consists of a two-pronged approach. First, we compare prices provided by our pricing services to those provided by an additional source. In some cases, we obtain prices from securities brokers and compare them to the prices provided by our pricing services. If discrepancies are found in our comparisons, we compare our prices to actual reported trade data for like securities. No changes to the fair values supplied by our pricing services have occurred as a result of our reviews. Based on these assessments, we have determined that the fair values of our Level 2 fixed income securities provided by our pricing services are reasonable.

Equity Securities: As of March 31, 2026, nearly all of our equity holdings were traded on an exchange. Exchange traded equities have readily observable price levels and are classified as Level 1 (fair value based on quoted market prices). Pricing for the equity securities not traded on an exchange is provided by a third-party pricing source using observable inputs and are classified as Level 2. Pricing for equity securities not traded on an exchange rely on one or more unobservable inputs and are classified as Level 3.

Due to the relatively short-term nature of cash, short-term investments, accounts receivable and accounts payable, their carrying amounts are reasonable estimates of fair value. Our investments in private funds, classified as other invested assets, are measured using the investments' net asset value per share and are not categorized within the fair value hierarchy.

2. INVESTMENTS

Our investments are primarily composed of fixed income debt securities and common stock equity securities. We carry our equity securities at fair value and categorize all of our debt securities as available-for-sale, which are carried at fair value.

Realized gains and losses on disposition of investments are based on the specific identification of the investments sold on the settlement date. The following is a summary of the disposition of fixed income and equity securities for the three-month periods ended March 31, 2026 and 2025:

Sales (in thousands)	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses	Net Realized Gain (Loss)
2026				
Fixed income securities - available-for-sale	$ 64,810	$ 1,022	$ (1,466)	$ (444)
Equity securities	18,205	10,355	(102)	10,253
2025				
Fixed income securities - available-for-sale	$ 10,473	$ 62	$ (205)	$ (143)
Equity securities	26,679	15,140	(62)	15,078

Calls/Maturities (in thousands)	Proceeds	Gross Realized Gains	Gross Realized Losses	Net Realized Gain (Loss)
2026				
Fixed income securities - available-for-sale	$ 118,547	$ 385	$ —	$ 385
2025				
Fixed income securities - available-for-sale	$ 101,454	$ 9	$ (71)	$ (62)

FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of March 31, 2026 and December 31, 2025 are summarized below:

	As of March 31, 2026			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income securities - available-for-sale				
U.S. government	$ —	$ 307,140	$ —	$ 307,140
U.S. agency	—	27,288	—	27,288
Non-U.S. government & agency	—	14,191	2,095	16,286
Agency MBS	—	600,802	—	600,802
ABS/CMBS/MBS*	—	710,301	—	710,301
Corporate	—	1,382,742	121,663	1,504,405
Municipal	—	362,470	—	362,470
Total fixed income securities - available-for-sale	$ —	$ 3,404,934	$ 123,758	$ 3,528,692
Equity securities	856,689	—	8,223	864,912
Total	$ 856,689	$ 3,404,934	$ 131,981	$ 4,393,604

* Non-agency asset-backed, commercial mortgage-backed and mortgage-backed securities

(in thousands)	As of December 31, 2025 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income securities - available-for-sale				
U.S. government	$ —	$ 335,223	$ —	$ 335,223
U.S. agency	—	37,927	—	37,927
Non-U.S. government & agency	—	11,417	2,130	13,547
Agency MBS	—	610,675	—	610,675
ABS/CMBS/MBS*	—	672,984	—	672,984
Corporate	—	1,383,329	108,177	1,491,506
Municipal	—	371,474	—	371,474
Total fixed income securities - available-for-sale	$ —	$ 3,423,029	$ 110,307	$ 3,533,336
Equity securities	890,622	—	8,254	898,876
Total	$ 890,622	$ 3,423,029	$ 118,561	$ 4,432,212

* Non-agency asset-backed, commercial mortgage-backed and mortgage-backed securities

The following table summarizes changes in the balance of securities whose fair value was measured using significant unobservable inputs (Level 3).

(in thousands)	Three Months Ended March 31, 2026	2025
Beginning balance	$ 118,561	$ 95,125
Net realized and unrealized gains (losses)		
Included in other comprehensive earnings (loss)	(1,546)	893
Purchases	15,296	5,070
Sales / Calls / Maturities	(330)	(2,143)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Balance as of March 31,	$ 131,981	$ 98,945
Change in unrealized gains (losses) during the period for Level 3 assets held at period-end - included in other comprehensive earnings (loss)	$ (1,550)	$ 893

The amortized cost and fair value of available-for-sale fixed income securities by contractual maturity as of March 31, 2026 were as follows:

(in thousands)	March 31, 2026 Amortized Cost	Fair Value
Due in one year or less	$ 197,626	$ 196,770
Due after one year through five years	737,002	726,768
Due after five years through 10 years	855,922	845,397
Due after 10 years	523,694	448,654
ABS/CMBS/MBS*	1,355,677	1,311,103
Total available-for-sale	$ 3,669,921	$ 3,528,692

* Asset-backed, commercial mortgage-backed and mortgage-backed securities

The amortized cost and fair value of available-for-sale securities at March 31, 2026 and December 31, 2025 are presented in the tables below. Amortized cost does not include accrued interest receivable of $29 million as of March 31, 2026 and $29 million as of December 31, 2025.

(in thousands)	March 31, 2026 Cost or Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ 305,863	$ —	$ 2,333	$ (1,056)	$ 307,140
U.S. agency	27,280	—	264	(256)	27,288
Non-U.S. government & agency	16,882	—	102	(698)	16,286
Agency MBS	629,029	—	2,587	(30,814)	600,802
ABS/CMBS/MBS*	726,648	(377)	1,684	(17,654)	710,301
Corporate	1,535,290	(161)	7,861	(38,585)	1,504,405
Municipal	428,929	—	687	(67,146)	362,470
Total Fixed Income	$ 3,669,921	$ (538)	$ 15,518	$ (156,209)	$ 3,528,692

(in thousands)	December 31, 2025 Cost or Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ 331,233	$ —	$ 4,909	$ (919)	$ 335,223
U.S. agency	37,379	—	677	(129)	37,927
Non-U.S. government & agency	13,831	—	274	(558)	13,547
Agency MBS	634,349	—	4,718	(28,392)	610,675
ABS/CMBS/MBS*	685,126	(470)	3,640	(15,312)	672,984
Corporate	1,502,843	(358)	16,951	(27,930)	1,491,506
Municipal	437,601	—	1,068	(67,195)	371,474
Total Fixed Income	$ 3,642,362	$ (828)	$ 32,237	$ (140,435)	$ 3,533,336

* Non-agency asset-backed, commercial mortgage-backed and mortgage-backed securities

Allowance for Credit Losses and Unrealized Losses on Fixed Income Securities

A reversible allowance for credit losses is recognized on available-for-sale fixed income securities, if applicable. Several criteria are reviewed to determine if securities in the fixed income portfolio should be included in the allowance for expected credit loss evaluation, including:

- Changes in technology that may impair the earnings potential of the investment,
- The discontinuance of a segment of business that may affect future earnings potential,
- Reduction of or non-payment of interest and/or principal,
- Specific concerns related to the issuer's industry or geographic area of operation,
- Significant or recurring operating losses, poor cash flows and/or deteriorating liquidity ratios and
- Downgrades in credit quality by a major rating agency.

If changes in interest rates and credit spreads do not reasonably explain the unrealized loss for an available-for-sale security, or if any of the criteria above indicate a potential credit loss, the security is subjected to a discounted cash flow analysis. Inputs into the discounted cash flow analysis include prepayment assumptions for structured securities, default rates and recoverability rates based on credit rating. The allowance for any security is limited to the amount that the security's fair value is below amortized cost. As of March 31, 2026, the discounted cash flow analysis resulted in an allowance for credit losses on 8 securities. The following table presents changes in the allowance for expected credit losses on available-for-sale securities:

(in thousands)	Three Months Ended March 31, 2026	2025
Beginning balance	$ 828	$ 197
Increase to allowance from securities for which credit losses were not previously recorded	24	21
Reduction from securities sold during the period	(65)	—
Reductions from intent to sell securities	(180)	—
Net increase (decrease) from securities that had an allowance at the beginning of the period	(69)	(61)
Balance as of March 31,	$ 538	$ 157

We recognized $1 million of losses on securities for which we no longer had the intent to hold until recovery during the first three months of 2026. No such losses were recognized during the first three months of 2025.

As of March 31, 2026, in addition to the securities included in the allowance for credit losses, the fixed income portfolio contained 1,328 securities with an unrealized loss position for which an allowance for credit losses had not been recorded. The $156 million in associated unrealized losses represents 4 percent of the fixed income portfolio's cost basis and 3 percent of total invested assets. Isolated to these securities, unrealized losses increased through the first three months of 2026, as interest rates increased during the period. Of the total 1,328 securities, 777 have been in an unrealized loss position for 12 consecutive months or longer. The following table illustrates the total value of fixed income securities that were in an unrealized loss position as of March 31, 2026 and December 31, 2025 after factoring in the allowance for credit losses. All fixed income securities continue to pay the expected coupon payments and we believe we will recover the amortized cost basis of available-for-sale securities that remain in an unrealized loss position.

(in thousands)	March 31, 2026 < 12 Mos.	March 31, 2026 12 Mos. & Greater	March 31, 2026 Total	December 31, 2025 < 12 Mos.	December 31, 2025 12 Mos. & Greater	December 31, 2025 Total
U.S. government						
Fair value	$ 13,965	$ 61,176	$ 75,141	$ 8,610	$ 80,088	$ 88,698
Amortized cost	14,113	62,084	76,197	8,620	80,997	89,617
Unrealized loss	$ (148)	$ (908)	$ (1,056)	$ (10)	$ (909)	$ (919)
U.S. agency						
Fair value	$ 7,741	$ 8,934	$ 16,675	$ —	$ 19,797	$ 19,797
Amortized cost	7,923	9,008	16,931	—	19,926	19,926
Unrealized loss	$ (182)	$ (74)	$ (256)	$ —	$ (129)	$ (129)
Non-U.S. government						
Fair value	$ 7,210	$ 4,204	$ 11,414	$ —	$ 4,244	$ 4,244
Amortized cost	7,310	4,802	12,112	—	4,802	4,802
Unrealized Loss	$ (100)	$ (598)	$ (698)	$ —	$ (558)	$ (558)
Agency MBS						
Fair value	$ 238,880	$ 197,811	$ 436,691	$ 34,783	$ 239,581	$ 274,364
Amortized cost	241,035	226,470	467,505	34,917	267,839	302,756
Unrealized loss	$ (2,155)	$ (28,659)	$ (30,814)	$ (134)	$ (28,258)	$ (28,392)
ABS/CMBS/MBS*						
Fair value	$ 354,186	$ 136,541	$ 490,727	$ 110,600	$ 142,903	$ 253,503
Amortized cost	356,597	151,784	508,381	110,826	157,989	268,815
Unrealized loss	$ (2,411)	$ (15,243)	$ (17,654)	$ (226)	$ (15,086)	$ (15,312)
Corporate						
Fair value	$ 517,300	$ 477,322	$ 994,622	$ 146,177	$ 545,897	$ 692,074
Amortized cost	525,093	508,114	1,033,207	148,444	571,560	720,004
Unrealized loss	$ (7,793)	$ (30,792)	$ (38,585)	$ (2,267)	$ (25,663)	$ (27,930)
Municipal						
Fair value	$ 26,282	$ 301,492	$ 327,774	$ 3,759	$ 324,235	$ 327,994
Amortized cost	26,625	368,295	394,920	3,789	391,400	395,189
Unrealized loss	$ (343)	$ (66,803)	$ (67,146)	$ (30)	$ (67,165)	$ (67,195)
Total fixed income						
Fair value	$ 1,165,564	$ 1,187,480	$ 2,353,044	$ 303,929	$ 1,356,745	$ 1,660,674
Amortized cost	1,178,696	1,330,557	2,509,253	306,596	1,494,513	1,801,109
Unrealized loss	$ (13,132)	$ (143,077)	$ (156,209)	$ (2,667)	$ (137,768)	$ (140,435)

* Non-agency asset-backed, commercial mortgage-backed and mortgage-backed securities

The following table shows the composition of the fixed income securities in unrealized loss positions, after factoring in the allowance for credit losses, at March 31, 2026 by the National Association of Insurance Commissioners (NAIC) rating and the generally equivalent Standard & Poor's (S&P) and Moody's ratings. The vast majority of the securities are rated by S&P and/or Moody's.

NAIC Rating	Equivalent S&P Rating	Equivalent Moody's Rating	(dollars in thousands) Amortized Cost	Fair Value	Unrealized Loss	Percent to Total
1	AAA/AA/A	Aaa/Aa/A	$ 1,987,281	$ 1,850,834	$ (136,447)	87.3 %
2	BBB	Baa	423,761	407,998	(15,763)	10.1 %
3	BB	Ba	50,929	49,650	(1,279)	0.8 %
4	B	B	43,657	41,522	(2,135)	1.4 %
5	CCC	Caa	3,625	3,040	(585)	0.4 %
6	CC or lower	Ca or lower	—	—	—	0.0 %
		Total	$ 2,509,253	$ 2,353,044	$ (156,209)	100.0 %

Other Invested Assets

We had $61 million of other invested assets at March 31, 2026, compared to $59 million at December 31, 2025. Other invested assets include investments in low-income housing tax credit partnerships (LIHTC) and historic tax credit partnerships (HTC), membership in the Federal Home Loan Bank of Chicago (FHLBC), and investments in private funds. Our LIHTC and

HTC investments are carried at amortized cost and our investment in FHLBC stock is carried at cost. Due to the nature of the LIHTC, HTC and our membership in the FHLBC, their carrying amounts approximate fair value. The private funds are carried at fair value, using each investment's net asset value.

Our LIHTC interests were $13 million at March 31, 2026, compared to $14 million at December 31, 2025. Our LIHTC interests recognized amortization of less than $1 million as a component of income tax expense and a total tax benefit of $1 million during the first quarter of 2026 and 2025. Our unfunded commitment for our LIHTC investments was $8 million at March 31, 2026 and will be paid out in installments through 2040.

Our HTC investment had a balance of $10 million at March 31, 2026, compared to $11 million at December 31, 2025. Our HTC investment recognized less than $1 million of amortization as a component of income tax expense and a total tax benefit of $1 million during the first quarter of 2026, the same as in 2025. Our unfunded commitment for our HTC investments was $4 million at March 31, 2026 and will be paid out in installments through 2027.

At March 31, 2026, $52 million of investments were pledged as collateral with the FHLBC to ensure timely access to the secured lending facility that ownership of FHLBC stock provides. At March 31, 2026, $50 million of borrowings were outstanding with the FHLBC.

Our investments in private funds totaled $19 million at March 31, 2026, up from $18 million at December 31, 2025, and had $2 million of associated unfunded commitments at March 31, 2026. Our interest in private funds is generally restricted from being transferred or otherwise redeemed without prior consent by the respective entities, and the timed dissolution of the partnerships would trigger redemption.

Investments in Unconsolidated Investees

Our investment in Prime Holdings Insurance Services, Inc. was $56 million at March 31, 2026, compared to $54 million at December 31, 2025.

Cash and Short-Term Investments

Cash consists of uninvested balances in bank accounts. Short-term investments primarily consist of money market funds and fixed income securities with a contractual maturity of one year or less at the time of acquisition. Short-term investments are carried at cost, which approximates fair value. We had a cash and short-term investment balance of $49 million and $386 million, respectively, at March 31, 2026, compared to $52 million and $121 million, respectively, at December 31, 2025.

3. DEBT

Outstanding debt totaled $347 million as of March 31, 2026, consisting of $297 million of long-term debt, net of unamortized discount and debt issuance costs, and $50 million of short-term debt.

On March 3, 2026, we completed a public debt offering, issuing $300 million of senior notes maturing June 1, 2036, with interest payable semi-annually at a rate of 5.375 percent. The notes were issued at a discount, resulting in proceeds of $297 million after deducting the discount and issuance costs. The discount is being amortized to interest expense over the life of the debt using the effective interest method. The average rate on long-term debt was 5.38 percent for the three months ended March 31, 2026. The estimated fair value of the senior notes was $288 million as of March 31, 2026. The fair value of our long-term debt is based on limited observable prices and is therefore classified as a Level 2 liability within the fair value hierarchy.

We repaid $50 million that was outstanding under our revolving credit facility with PNC Bank, N.A. (PNC) on February 20, 2026, which had been drawn in 2023. The borrowing carried an adjustable interest rate of 5.27 percent as of February 20, 2026. The credit facility with PNC, which was entered into during the first quarter of 2023, provided borrowing capacity of $100 million and had a three-year term that was scheduled to expire on May 29, 2026. On February 26, 2026, we entered into an amended and restated credit agreement with PNC to extend the maturity date to February 26, 2031. The amended agreement provides borrowing capacity of $150 million and may be increased to $200 million under certain conditions.

On November 12, 2025, we borrowed $50 million from the Federal Home Loan Bank of Chicago (FHLBC), which replaced the $50 million borrowed in 2024. The borrowing matures on November 12, 2026, but may be repaid early at set quarterly dates. Interest is paid monthly at an annualized rate of 4.21 percent.

Due to the lack of marketability and short tenor of our short-term borrowings, its fair value approximates carrying value. The average rate on short-term debt was 4.61 percent during the first quarter of 2026, compared to 5.18 percent during the first quarter of 2025. The weighted average interest rate on short-term debt outstanding was 4.21 percent as of March 31, 2026.

4. HISTORICAL LOSS AND LAE DEVELOPMENT

The following table is a reconciliation of our unpaid losses and settlement expenses (LAE) for the first three months of 2026 and 2025:

	For the Three Months Ended March 31,	
(in thousands)	**2026**	**2025**
Unpaid losses and LAE at beginning of year		
Gross	$ 2,886,819	$ 2,693,470
Ceded	(746,798)	(755,425)
Net	$ 2,140,021	$ 1,938,045
Increase (decrease) in incurred losses and LAE		
Current accident year	$ 228,708	$ 208,243
Prior accident years	(35,464)	(31,005)
Total incurred	$ 193,244	$ 177,238
Loss and LAE payments for claims incurred		
Current accident year	$ (10,045)	$ (9,827)
Prior accident years	(135,794)	(115,040)
Total paid	$ (145,839)	$ (124,867)
Net unpaid losses and LAE at March 31,	$ 2,187,426	$ 1,990,416
Unpaid losses and LAE at March 31,		
Gross	$ 2,927,929	$ 2,743,245
Ceded	(740,503)	(752,829)
Net	$ 2,187,426	$ 1,990,416

For the first three months of 2026, incurred losses and LAE included $35 million of favorable development on prior years' loss reserves, primarily related to accident years 2018, 2019, 2022, 2024 and 2025. Favorable development was driven by commercial property, marine, executive products, professional services and commercial transportation. While personal umbrella experienced adverse development, no products had significant adverse development.

For the first three months of 2025, incurred losses and LAE included $31 million of favorable development on prior years' loss reserves, primarily related to accident years 2019 through 2022 and 2024. Favorable development was driven by marine, surety, commercial property, commercial excess liability, general liability and our mortgage reinsurance program. Personal umbrella and commercial transportation had adverse development related to auto exposures, but no products experienced significant adverse development.

5. INCOME TAXES

Our effective tax rate for the three months ended March 31, 2026 was 18.5 percent, compared to 19.6 percent for the same period in 2025. Effective rates are dependent upon components of pretax earnings and the related tax effects. The decrease in the effective tax rate for the three-month period in 2026 was primarily due to higher levels of tax credit utilization.

Income tax expense attributable to income from operations for the three-month periods ended March 31, 2026 and 2025 differed from the amounts computed by applying the U.S. federal tax rate of 21 percent to pretax income by the items detailed in the table below. In interim periods, income taxes are adjusted to reflect the effective tax rate we anticipate for the year, with adjustments flowing through the other items, net line.

(in thousands)	For the Three Months Ended March 31, 2026 Amount	2026 %	2025 Amount	2025 %
U.S. federal statutory tax rate	$ 14,142	21.0 %	$ 16,513	21.0 %
State and local income taxes, net of federal income tax effect	538	0.8 %	555	0.7 %
Tax credit	(2,766)	(4.1)%	(645)	(0.8)%
Nontaxable or Nondeductible Items:				
Excess tax benefit on share-based compensation	(1,851)	(2.7)%	(2,750)	(3.5)%
Other nontaxable or nondeductible items	2,393	3.5 %	1,744	2.2 %
Total tax expense	$ 12,456	18.5 %	$ 15,417	19.6 %

We have recorded our deferred tax assets and liabilities using the statutory federal tax rate of 21 percent. We believe it is more likely than not that all deferred tax assets will be recovered, given the carry back availability as well as the result of future operations, which we believe will generate sufficient taxable income to realize the deferred tax asset.

6. STOCK BASED COMPENSATION

Our 2015 RLI Corp. Long-Term Incentive Plan (2015 LTIP) was in place from 2015 to 2023. The 2015 LTIP provided for equity-based compensation, including stock options and restricted stock units, up to a maximum of 8,000,000 shares of common stock (subject to adjustment for changes in our capitalization and other events). Between 2015 and 2023, we granted 6,582,776 awards under the 2015 LTIP. The 2015 LTIP was replaced in 2023.

In 2023, our shareholders approved the 2023 RLI Corp. Long-Term Incentive Plan (2023, LTIP), which provides for equity-based compensation. In conjunction with the adoption of the 2023 LTIP, effective May 4, 2023, awards are no longer granted under the 2015 LTIP. Awards under the 2023 LTIP may be in the form of restricted stock, restricted stock units, stock options (incentive or non-qualified), stock appreciation rights, performance units as well as other stock-based awards. Eligibility under the 2023 LTIP is limited to employees, directors, consultants and independent contractors of the Company or any affiliate. The granting of awards under the 2023 LTIP is solely at the discretion of the Human Capital and Compensation Committee of the board of directors or its delegate. The maximum number of shares of common stock available for distribution under the 2023 LTIP is 8,009,782 shares (subject to adjustment for changes in our capitalization and other events). Since the plan's approval in 2023, we have granted 1,225,263 awards under the 2023 LTIP, including 44,625 thus far in 2026.

Compensation expense is based on the probable number of awards expected to vest. The total compensation expense related to equity awards was $2 million in the three-month periods ended March 31, 2026 and 2025. The total income tax benefit was less than $1 million for the three-month periods ended March 31, 2026 and 2025. Total unrecognized compensation expense relating to outstanding and unvested awards was $5 million, which will be recognized over the weighted average vesting period of 2.47 years.

Stock Options

Under the 2023 LTIP, as under the 2015 LTIP, we grant stock options for shares with an exercise price equal to the fair market value of the shares at the date of grant (subject to adjustments for changes in our capitalization, special dividends and other events as set forth in such plans). Options generally vest and become exercisable over a five-year period and expire eight years after grant.

For most participants, the requisite service period and vesting period will be the same. For participants who are retirement eligible, defined by the plan as those individuals whose age and years of service equals 75 or greater, the requisite service period is deemed to be met and options are immediately expensed on the date of grant. For participants who will become retirement eligible during the vesting period, the requisite service period over which expense is recognized is the period between the grant date and the attainment of retirement eligibility. Shares issued upon option exercise are newly issued shares.

The following tables summarize option activity for the three-month period ended March 31, 2026:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in 000's)
Outstanding options at January 1, 2026	2,986,614	$ 55.69		
Options granted	44,375	58.74		
Options exercised	(60,486)	39.38		
Options canceled/forfeited	(2,000)	65.89		
Outstanding options at March 31, 2026	2,968,503	$ 56.06	3.86	$ 17,285
Exercisable options at March 31, 2026	1,894,941	$ 50.46	2.77	$ 16,509

The intrinsic value of options exercised, which is the difference between the fair value and the exercise price, was $1 million and $2 million during the first three months of 2026 and 2025, respectively.

The fair value of options was estimated using a Black-Scholes based option pricing model with the following weighted average grant-date assumptions and weighted average fair values as of March 31:

	2026	2025
Weighted-average fair value of grants	$ 11.35	$ 16.09
Risk-free interest rates	3.70 %	4.18 %
Dividend yield	2.81 %	2.31 %
Expected volatility	23.21 %	23.13 %
Expected option life	5.16 years	5.15 years

The risk-free rate was determined based on U.S. treasury yields that most closely approximated the options' expected life. The dividend yield was determined based on the average annualized quarterly dividends paid during the most recent five-year period and incorporated a consideration for special dividends paid in recent history. The expected volatility was calculated based on the median of the rolling volatilities for the expected life of the options. The expected option life was determined based on historical exercise behavior and the assumption that all outstanding options will be exercised at the midpoint of the current date and remaining contractual term, adjusted for the demographics of the current year's grant.

Restricted Stock Units

In addition to stock options, restricted stock units (RSUs) are granted with a value equal to the closing stock price of the Company's stock on the dates the units are granted. For employees, these units generally have a three-year cliff vesting, but have an accelerated vesting feature for participants who are retirement eligible, defined by the plan as those individuals whose age and years of service equals 75 or greater. For directors, these units vest on the earlier of one year from the date of grant or the next annual shareholders meeting. In addition, the RSUs have dividend participation, which accrue as additional units and are settled with granted stock units at the end of the vesting period. The total fair value of restricted stock units that vested was less than $1 million during the first three months of 2026, while no RSUs vested in the first three months of 2025.

	RSUs	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2026	93,559	$ 71.65
Granted	250	62.78
Reinvested	234	61.48
Vested	(3,715)	68.03
Nonvested at March 31, 2026	90,328	$ 71.75

7. OPERATING SEGMENT INFORMATION

The Company's chief operating decision maker (CODM) is the chief executive officer. The Company's CODM assesses the segments' performance by using earnings before income taxes (underwriting income) and the combined ratio. Underwriting income and combined ratio are analyzed at the segment level and influence how resources are allocated. Decisions are made based on what is likely to provide the best long-term return to the Company.

Amortization of deferred acquisition costs represents the recognition of commission and premium taxes over the life of insurance polices, in proportion to premium revenue recognized. The other policy acquisition costs line item includes other expenses associated with underwriting, but that cannot be specifically associated with the successful acquisition of a policy, including, but not limited to, employment costs for underwriters and underwriting support as well as costs for policy acquisition systems. Insurance operating expenses reflect allocated costs from various support departments, such as corporate technology, accounting, human resources and facilities, among others.

Net investment income consists of the interest and dividend income streams from our investments in fixed income and equity securities. Interest expense represents the cost of debt and lines of credit. General corporate expenses include director and shareholder relation costs and other compensation-related expenses incurred for the benefit of the corporation, but not attributable to the operations of our insurance segments. Investee earnings represents our 23 percent share in earnings of Prime Holdings Insurance Services, Inc., a privately held insurance company which specializes in hard-to-place risks. Assets, and the revenues and expenses associated with investing and financing activities, are not managed at the segment level and therefore are not allocated to segments.

All segment revenues are from external customers and all long-lived assets are held domestically. We have no material foreign operations or customer concentrations and have no intersegment revenues.

The following table summarizes revenues by major product type within each operating segment:

Net Premiums Earned (in thousands)	For the Three Months Ended March 31, 2026	2025
Casualty		
Commercial excess and personal umbrella	$ 124,216	$ 103,209
Commercial transportation	30,694	30,259
Professional services	27,949	26,587
General liability	26,208	26,718
Small commercial	19,322	19,915
Executive products	5,873	5,943
Other casualty	14,304	16,417
Total	$ 248,566	$ 229,048
Property		
Commercial property	$ 72,960	$ 82,812
Marine	39,219	37,709
Other property	14,199	12,023
Total	$ 126,378	$ 132,544
Surety		
Transactional	$ 13,295	$ 12,660
Commercial	12,635	12,776
Contract	10,512	11,317
Total	$ 36,442	$ 36,753
Grand Total	$ 411,386	$ 398,345

The following tables present our operating results by segment, as evaluated by the CODM.

For the Three Months Ended March 31, 2026

(in thousands)	Casualty	Property	Surety	Total
Revenue				
Net premiums earned	$ 248,566	$ 126,378	$ 36,442	$ 411,386
Net investment income	-	-	-	42,321
Net realized gains	-	-	-	9,559
Net unrealized gains (losses) on equity securities	-	-	-	(39,396)
Consolidated revenue	$ 248,566	$ 126,378	$ 36,442	$ 423,870
Less: Expenses				
Losses and settlement expenses	$ 152,832	$ 33,854	$ 6,558	
Amortization of deferred acquisition costs	47,482	25,342	12,735	
Other policy acquisition costs	24,232	10,813	11,471	
Insurance operating expenses	16,727	8,184	3,369	
Segment earnings before income taxes	$ 7,293	$ 48,185	$ 2,309	$ 57,787
Depreciation and amortization expense	$ 1,597	$ 538	$ 365	

For the Three Months Ended March 31, 2025

(in thousands)	Casualty	Property	Surety	Total
Revenue				
Net premiums earned	$ 229,048	$ 132,544	$ 36,753	$ 398,345
Net investment income	-	-	-	36,726
Net realized gains	-	-	-	14,912
Net unrealized gains (losses) on equity securities	-	-	-	(42,318)
Consolidated revenue	$ 229,048	$ 132,544	$ 36,753	$ 407,665
Less: Expenses				
Losses and settlement expenses	$ 145,835	$ 32,725	$ (1,322)	
Amortization of deferred acquisition costs	42,903	26,976	12,602	
Other policy acquisition costs	22,669	7,957	10,580	
Insurance operating expenses	15,570	7,971	3,333	
Segment earnings before income taxes	$ 2,071	$ 56,915	$ 11,560	$ 70,546
Depreciation and amortization expense	$ 1,505	$ 498	$ 310	

The following table reconciles segment earnings before income taxes to earnings before income taxes.

(in thousands)	For the Three Months Ended March 31, 2026	2025
Reconciliation of earnings before income taxes		
Segment earnings before income taxes	$ 57,787	$ 70,546
Net investment income	42,321	36,726
Net realized gains	9,559	14,912
Net unrealized gains (losses) on equity securities	(39,396)	(42,318)
Interest expense on debt	(2,353)	(1,335)
General corporate expenses	(2,724)	(2,948)
Equity in earnings of unconsolidated investees	2,147	3,048
Earnings before income taxes	$ 67,341	$ 78,631

8. LEASES

Right-of-use (ROU) assets are included in the other assets line item and lease liabilities are included in the other liabilities line item of the consolidated balance sheet. We determine if a contract contains a lease at inception and recognize operating lease ROU assets and operating lease liabilities based on the present value of the future minimum lease payments at the commencement date. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Lease agreements may include options to extend or terminate. The options are exercised at our discretion and are included in operating lease liabilities if it is reasonably certain the option will be exercised. Lease agreements have lease and non-lease components, which are accounted for as a single lease component. Operating lease costs for future minimum lease payments are recognized on a straight-line basis over the lease terms. Variable lease costs are expensed in the period in which the obligations are incurred. Sublease income is recognized on a straight-line basis over the sublease term.

The Company's operating lease obligations are for branch office facilities. The components of lease expense and other lease-related information, as of and during the three-month periods ended March 31, 2026 and 2025, were as follows:

	For the Three Months Ended March 31,	
(in thousands)	**2026**	**2025**
Operating lease cost	$ 1,163	$ 1,150
Variable lease cost	341	289
Sublease income	(42)	(42)
Total lease cost	$ 1,462	$ 1,397
Cash paid for amounts included in measurement of lease liabilities		
Operating cash outflows from operating leases	$ 1,251	$ 1,229
ROU assets obtained in exchange for new operating lease liabilities	$ 3,486	$ 13

(in thousands)	**March 31, 2026**	**December 31, 2025**
Operating lease ROU assets	$ 15,586	$ 13,117
Operating lease liabilities	$ 17,134	$ 14,752
Weighted-average remaining lease term - operating leases	5.84 years	5.93 years
Weighted-average discount rate - operating leases	3.44 %	3.78 %

Future minimum lease payments under non-cancellable leases as of March 31, 2026 were as follows:

(in thousands)	**March 31, 2026**
2026	$ 3,448
2027	4,087
2028	2,619
2029	2,450
2030	1,870
2031	1,815
Thereafter	3,132
Total future minimum lease payments	$ 19,421
Less imputed interest	(2,287)
Total operating lease liability	$ 17,134

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 appear throughout this report. These forward looking statements generally include words such as "expect," "predict," "estimate," "will," "should," "anticipate," "believe" and similar expressions. Such assumptions are, in turn, based on information available and internal estimates and analyses of general economic conditions, competitive factors, conditions specific to the property and casualty insurance, reinsurance and surety industries, claims development and the impact thereof on our loss reserves, the adequacy and financial security of our reinsurance programs, developments in the securities market and the impact on our investment portfolio, regulatory changes and conditions and other factors. These

assumptions are subject to various risks, uncertainties and other factors, including, without limitation those set forth in "Item 1A. Risk Factors" within the Annual Report on Form 10-K for the year ended December 31, 2025 and Part II within this report. Actual results could differ materially from those expressed in, or implied by, these forward looking statements. Forward looking statements reflect the Company's expectations, plans or forecasts of future events and views as of the date of this report. While the Company may elect to update these forward looking statements at some point in the future, the Company specifically disclaims any obligation to do so. You should review the various risks, uncertainties and other factors listed from time to time in our Securities and Exchange Commission filings.

OVERVIEW

RLI Corp. is a U.S.-based, specialty insurance company that underwrites select property, casualty and surety products through three major subsidiaries. Our focus is on niche markets and developing unique products that are tailored to customers' needs. We hire underwriters and claim examiners with deep expertise and provide exceptional customer service and support. We maintain a highly diverse product portfolio and underwrite for profit in all market conditions. In 2025, we achieved our 30th consecutive year of underwriting profitability. Over the 30-year period, we averaged an 87.9 combined ratio. This drives our ability to provide shareholder returns in three different ways: the underwriting income itself, net investment income from our investment portfolio and long-term appreciation in our equity portfolio.

We measure the results of our insurance operations by monitoring growth and profitability across three distinct business segments: casualty, property and surety. Growth is measured in terms of gross premiums written, and profitability is analyzed through underwriting income and combined ratios.

The property and casualty insurance business is cyclical and influenced by many factors, including price competition, economic conditions, natural or man-made disasters (for example, earthquakes, hurricanes, pandemics and terrorism), interest rates, state regulations, court decisions, changes in the law and evolving technologies. One of the unique and challenging features of the property and casualty insurance business is that coverages must be priced before costs have fully developed, because premiums are charged before claims are incurred. This requires that liabilities be estimated and recorded in recognition of future loss and settlement obligations. Due to the inherent uncertainty in estimating these liabilities, there can be no assurance that actual liabilities will equal recorded amounts. If actual liabilities differ from recorded amounts, there will either be an adverse or favorable effect on net earnings.

The casualty portion of our business consists largely of commercial excess, personal umbrella, general liability, transportation and management liability coverages, as well as package business and other specialty coverages, such as professional liability and workers' compensation for office-based professionals. We also assume a limited amount of risks through quota share and excess of loss reinsurance agreements. The casualty business is subject to the risk of estimating losses and related loss reserves because the ultimate settlement of a casualty claim may take several years to fully develop.

Our property segment is comprised primarily of commercial fire, hurricane, earthquake, difference in conditions and marine coverages. We also offer homeowners' coverages in Hawaii. Property insurance results are subject to the variability introduced by perils such as earthquakes, fires, hurricanes and other storms. Our major catastrophe exposure is to losses caused by windstorms, affecting commercial properties in coastal regions of the United States, and earthquakes, primarily on the West Coast. We limit our net aggregate exposure to a catastrophic event by managing the total policy limits written in a particular region, purchasing reinsurance and maintaining policy terms and conditions throughout all insurance cycles. We also use computer-assisted modeling techniques to provide estimates that help the Company carefully manage the concentration of risks exposed to catastrophic events.

The surety segment specializes in writing small to medium-sized contract surety coverages, including payment and performance bonds. We offer a variety of commercial surety bonds for medium to large-sized businesses across a broad spectrum of industries, including the home builders, financial, healthcare, energy and renewable energy industries. We also offer a variety of transactional bonds, including but not limited to license and permit, notary and court bonds. Often, our surety coverages involve a statutory requirement for bonds. While these bonds typically maintain a relatively low loss ratio, losses may fluctuate due to adverse economic conditions affecting the financial viability of our insureds. The contract surety product guarantees commercial contractors' contractual obligations for a specific construction project. Generally, losses occur due to the deterioration of a contractor's financial condition.

The insurance marketplace is competitive across all of our segments. However, we believe that our business model is built to create underwriting income by focusing on sound risk selection and discipline. Our primary focus will continue to be

on underwriting profitability, with a secondary focus on premium growth where we believe underwriting profit exists, as opposed to general premium growth or market share measurements.

Key Performance Measures

The following is a list of key performance measures found throughout this report with their definitions, relationships to GAAP measures and explanations of their importance to our operations.

Underwriting Income

Underwriting income or profit represents one measure of the pretax profitability of our insurance operations, and is derived by subtracting losses and settlement expenses, policy acquisition costs and insurance operating expenses from net premiums earned, which are all GAAP financial measures. Each of these components are presented in the statements of earnings but are not subtotaled. However, this information is available in total and by segment in note 7 to the unaudited condensed consolidated financial statements in this quarterly report on Form 10-Q, and in note 11 to the consolidated financial statements in our 2025 Annual Report on Form 10-K, regarding operating segment information. The nearest comparable GAAP measure is earnings before income taxes which, in addition to underwriting income, includes net investment income, net realized gains or losses, net unrealized gains or losses on equity securities, general corporate expenses, debt costs and our portion of earnings from unconsolidated investees. A reconciliation of net earnings to underwriting income follows:

	For the Three Months Ended March 31,	
(in thousands)	**2026**	**2025**
Net earnings	$ 54,885	$ 63,214
Income tax expense	12,456	15,417
Earnings before income taxes	$ 67,341	$ 78,631
Equity in earnings of unconsolidated investees	(2,147)	(3,048)
General corporate expenses	2,724	2,948
Interest expense on debt	2,353	1,335
Net unrealized (gains) losses on equity securities	39,396	42,318
Net realized gains	(9,559)	(14,912)
Net investment income	(42,321)	(36,726)
Net underwriting income	$ 57,787	$ 70,546

Combined Ratio

The combined ratio, which is derived from components of underwriting income, is a common industry performance measure of profitability for underwriting operations and is calculated in two components. First, the loss ratio is losses and settlement expenses divided by net premiums earned. The second component, the expense ratio, reflects the sum of policy acquisition costs and insurance operating expenses divided by net premiums earned. All items included in these components of the combined ratio are presented in our GAAP consolidated financial statements. The sum of the loss and expense ratios is the combined ratio. The difference between the combined ratio and 100 reflects the per-dollar rate of underwriting income or loss.

Critical Accounting Policies

In preparing the unaudited condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ significantly from those estimates.

The most critical accounting policies involve significant estimates and include those used in determining the liability for unpaid losses and settlement expenses, investment valuation, recoverability of reinsurance balances, deferred policy acquisition costs and deferred taxes. For a detailed discussion of each of these policies, refer to our 2025 Annual Report on Form 10-K.

There have been no significant changes to critical accounting policies during the year.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2026 Compared to Three Months Ended March 31, 2025

Net premiums earned increased 3 percent, driven primarily by products in our casualty segment. Investment income was up 15 percent, reflecting an increased average asset base and higher reinvestment rates. Market declines resulted in $39 million of unrealized losses on equity securities in the first three months of 2026, compared to $42 million of unrealized losses for the same period in 2025. Realized gains in 2026 included $10 million of realized gains on equity securities, primarily due to rebalancing within our equity strategies, and less than $1 million of realized losses on fixed income securities. This compares to $15 million of realized gains on equity securities and less than $1 million of realized losses on fixed income securities during the first three months of 2025.

	For the Three Months Ended March 31,	
Consolidated Revenues (in thousands)	**2026**	**2025**
Net premiums earned	$ 411,386	$ 398,345
Net investment income	42,321	36,726
Net realized gains	9,559	14,912
Net unrealized gains (losses) on equity securities	(39,396)	(42,318)
Total consolidated revenue	$ 423,870	$ 407,665

Underwriting income was $58 million on an 86.0 combined ratio for the first three months of 2026, compared to $71 million on an 82.3 combined ratio in the same period of 2025. Underwriting results for 2026 were impacted by $16 million of pretax catastrophe losses, compared to $12 million in 2025. Results for each period benefited from favorable development on prior years' loss reserves, which provided additional pretax earnings of $35 million in the first three months of 2026, compared to $31 million in 2025.

The loss ratio was 47.0 for the first three months of 2026, compared to 44.5 in 2025. The benefit of higher levels of favorable development on prior years' loss reserves was offset by higher catastrophe losses and a shift in the mix of business towards casualty lines, which tend to have higher non-catastrophe loss ratios than our property and surety products. The expense ratio increased to 39.0 from 37.8. Increased expenses were primarily related to continued investments in people and technology.

Bonus and profit-sharing amounts earned by executives, managers and associates are predominantly influenced by corporate performance, including operating earnings, combined ratio and return on capital. Favorable development and other drivers of growth in book value will increase bonus and profit-sharing expenses, while catastrophe losses, adverse development and decreased investment portfolio returns would lead to expense reductions. These performance-related expenses affect policy acquisition, insurance operating and general corporate expenses.

Equity in earnings of unconsolidated investees relates to our investment in Prime Holdings Insurance Services, Inc. (Prime), a specialty insurance company. We recognized $2 million of investee earnings from Prime in the first three months of 2026, compared to $3 million in 2025.

Net earnings for the first three months of 2026 totaled $55 million, compared to $63 million for the same period in 2025. The decrease was due to lower levels of underwriting income, partially offset by higher investment income.

Comprehensive earnings totaled $30 million for the first three months of 2026, compared to $93 million for the first three months of 2025. Other comprehensive earnings (loss) primarily included net after-tax unrealized gains (losses) from the fixed income portfolio. Other comprehensive loss of $25 million in the first three months of 2026 was primarily attributable to rising interest rates, which decreased the fair value of securities held in the fixed income portfolio. Comparatively, $30 million of other comprehensive earnings was recognized in 2025.

Premiums

Gross premiums written increased $13 million for the first three months of 2026, driven by growth within our casualty segment and reflecting favorable rate movement. Net premiums earned increased $13 million, also driven by our casualty segment and consistent with the growth in gross premiums written.

(in thousands)	Gross Premiums Written For the Three Months Ended March 31, 2026	2025	% Change	Net Premiums Earned For the Three Months Ended March 31, 2026	2025	% Change
Casualty						
Commercial excess and personal umbrella	$ 158,545	$ 135,330	17 %	$ 124,216	$ 103,209	20 %
Commercial transportation	39,114	30,916	27 %	30,694	30,259	1 %
Professional services	29,106	28,412	2 %	27,949	26,587	5 %
General liability	28,252	30,474	(7)%	26,208	26,718	(2)%
Small commercial	22,287	21,145	5 %	19,322	19,915	(3)%
Executive products	16,562	16,827	(2)%	5,873	5,943	(1)%
Other casualty	13,148	15,350	(14)%	14,304	16,417	(13)%
Total	$ 307,014	$ 278,454	10 %	$ 248,566	$ 229,048	9 %
Property						
Commercial property	$ 92,775	$ 110,872	(16)%	$ 72,960	$ 82,812	(12)%
Marine	46,710	44,726	4 %	39,219	37,709	4 %
Other property	15,278	14,454	6 %	14,199	12,023	18 %
Total	$ 154,763	$ 170,052	(9)%	$ 126,378	$ 132,544	(5)%
Surety						
Transactional	$ 15,058	$ 14,708	2 %	$ 13,295	$ 12,660	5 %
Commercial	14,873	15,994	(7)%	12,635	12,776	(1)%
Contract	12,178	11,898	2 %	10,512	11,317	(7)%
Total	$ 42,109	$ 42,600	(1)%	$ 36,442	$ 36,753	(1)%
Grand Total	$ 503,886	$ 491,106	3 %	$ 411,386	$ 398,345	3 %

Casualty

Gross premiums written for the casualty segment increased $29 million in the first three months of 2026. We continued to benefit from positive rate movement across a large portion of our casualty segment. Personal umbrella continued expansion of its distribution base, while our commercial transportation business benefited from some other carriers reducing their appetite. The decline in general liability premium was the result of slower construction activity within our targeted market for the year, which created a challenging environment to write business on new projects. Other casualty premium declined due to increased competition in our binding authority group and our decision to no longer participate in the reinsurance agreement with Prime.

Property

Gross premiums written for the property segment decreased $15 million in the first three months of 2026. Commercial property declined $18 million as more intense competition drove down rates. However, new product adjacencies led to $2 million of premium growth for our marine product. Additionally, growth in other property premiums was driven by rate increases and ongoing efforts to enhance client experience to attract and retain business for our Hawaii homeowners coverages.

Surety

Gross premiums written for the surety segment decreased by less than $1 million in the first three months of 2026. Transactional and contract surety grew as a result of continued marketing efforts. However, slowdowns in various sectors led to declines in commercial surety.

Underwriting Income

	For the Three Months Ended March 31,	
	2026	2025
Underwriting Income (in thousands)		
Casualty	$ 7,293	$ 2,071
Property	48,185	56,915
Surety	2,309	11,560
Total	$ 57,787	$ 70,546
Combined Ratio		
Casualty	97.1	99.1
Property	61.9	57.1
Surety	93.7	68.5
Total	86.0	82.3

Casualty

The casualty segment recorded underwriting income of $7 million in the first three months of 2026, compared to $2 million for the same period last year. Prior accident years' reserve releases reduced loss and settlement expenses for the casualty segment by $14 million in 2026, primarily related to accident years 2018, 2019, 2021, 2022 and 2025. Larger drivers of the favorable development were executive products, professional services and commercial transportation, while personal umbrella experienced some adverse development. In comparison, $5 million of prior accident years' reserves were released in the first three months of 2025. Commercial excess, general liability and subsegments within professional liability drove the favorable development, while commercial transportation and personal umbrella had adverse development related to auto exposures in 2025. Storm losses on casualty-oriented package policies that include property coverage resulted in $2 million of losses in 2026 and less than $1 million in 2025.

The combined ratio for the casualty segment was 97.1 in 2026, compared to 99.1 in 2025. The segment's loss ratio was 61.5 in 2026, down from 63.7 in 2025, primarily due to higher levels of favorable prior accident years' reserve development. The expense ratio for the casualty segment was 35.6, up from 35.4 for the same period last year.

Property

The property segment recorded underwriting income of $48 million for the first three months of 2026, compared to $57 million for the same period last year. Underwriting results for 2026 included $21 million of favorable development on prior years' loss and catastrophe reserves, offset by $14 million of storm losses. Comparatively, results for 2025 included $18 million of favorable development on prior years' loss and catastrophe reserves and $12 million of storm and other catastrophe losses.

Underwriting results for the first three months of 2026 resulted in a combined ratio of 61.9, compared to 57.1 for the same period last year. The segment's loss ratio was 26.8 in 2026, up from 24.7 in 2025, as larger catastrophe losses and slightly higher attritional, non-catastrophe losses on a lower earned premium base were partially offset by increased favorable development on prior accident years. The segment's expense ratio increased to 35.1 in 2026 from 32.4 in the prior year, as a result of continued investments in people and technology on a lower earned premium base.

Surety

The surety segment recorded underwriting income of $2 million for the first three months of 2026, compared to $12 million for the same period last year. Results for 2026 included favorable development on prior accident years' reserves, which decreased loss and settlement expenses for the segment by less than $1 million, compared to $8 million in 2025.

The combined ratio for the surety segment totaled 93.7 for the first three months of 2026, compared to 68.5 for the same period last year. The segment's loss ratio was 18.0 in 2026, up from (3.6) in 2025, due to lower levels of favorable prior accident years' reserve development. The expense ratio was 75.7, up from 72.1 in the prior year, due to continued investments in people and technology, as well as higher acquisition expenses, which can fluctuate between periods.

Investment Income

Our investment portfolio generated net investment income of $42 million during the first three months of 2026, an increase of 15 percent from the same period in 2025. The increase in investment income was due to higher reinvestment rates, as well as an increased average asset base relative to the prior year.

Yields on our fixed income investments for the first three months of 2026 and 2025 were as follows:

	2026	2025
Pretax Yield		
Taxable	4.30 %	4.00 %
Tax-Exempt	2.98 %	2.90 %
After-Tax Yield		
Taxable	3.40 %	3.16 %
Tax-Exempt	2.82 %	2.75 %

The following table depicts the composition of our investment portfolio at March 31, 2026 as compared to December 31, 2025:

(in thousands)	March 31, 2026		December 31, 2025	
Fixed income	$ 3,528,692	72.2 %	$ 3,533,336	75.7 %
Equity securities	864,912	17.7 %	898,876	19.3 %
Short-term investments	386,219	7.9 %	120,562	2.6 %
Other invested assets	60,509	1.2 %	59,281	1.3 %
Cash	49,121	1.0 %	51,565	1.1 %
Total investments and cash	$ 4,889,453	100.0 %	$ 4,663,620	100.0 %

We believe our overall asset allocation supports our strategy to preserve capital for policyholders, provide sufficient income to support our insurance operations and effectively grow book value over a long-term investment horizon.

The fixed income portfolio decreased by $5 million in the first three months of 2026, as interest rates increased causing the fair value of bonds to decline. Average fixed income duration was 4.7 years at March 31, 2026, reflecting our liability structure and sound capital position. The equity portfolio decreased by $34 million during the first three months of 2026, due to negative performance in the equity markets. Proceeds from debt issuance were invested into short-term securities, increasing the short-term investment portfolio by $266 million.

Income Taxes

Our effective tax rate for the first three months of 2026 was 18.5 percent, compared to 19.6 percent for the same period in 2025. Effective rates are dependent upon components of pretax earnings or losses and the related tax effects. The decrease in the effective tax rate for the three-month period in 2026 was primarily due to higher levels of tax credit utilization.

LIQUIDITY AND CAPITAL RESOURCES

We have three primary types of cash flows: (1) cash flows from operating activities, which consist mainly of cash generated by our underwriting operations and income earned on our investment portfolio, (2) cash flows from investing activities related to the purchase, sale and maturity of investments and (3) cash flows from financing activities that impact our capital structure, such as shareholder dividend payments and changes in debt and shares outstanding.

The following table summarizes cash flows provided by (used in) our activities for the three-month periods ended March 31, 2026 and 2025:

(in thousands)	2026	2025
Operating cash flows	$ 42,829	$ 103,514
Investing cash flows	(279,619)	(103,414)
Financing cash flows	234,346	(12,832)
Total	$ (2,444)	$ (12,732)

Premiums received from customers are our largest source of cash, while claim payments on insured losses represent our largest use of cash. Cash flows from operating activities may vary between periods due to the timing of these receipts and payments. Operating cash flows decreased in the first three months of 2026 compared to the same period in 2025, primarily due to higher loss and settlement expense payments, the purchase of tax credits applied against federal income taxes incurred in 2025, and higher bonus and profit-sharing contributions paid in the current period. The increase in incentive compensation reflects improved financial performance in 2025. These decreases were partially offset by higher gross premium and investment income receipts, as well as lower reinsurance costs.

Outstanding debt totaled $347 million as of March 31, 2026, consisting of $297 million of long-term debt, net of unamortized discount and debt issuance costs, and $50 million of short-term debt. On March 3, 2026, we completed a public debt offering, issuing $300 million of senior notes maturing June 1, 2036, with interest payable semi-annually at a rate of 5.375 percent. The notes were issued at a discount, resulting in net proceeds of $297 million after deducting the discount and issuance costs.

We repaid $50 million that was outstanding under our revolving credit facility with PNC Bank, N.A. (PNC) on February 20, 2026, which had been drawn in 2023. The credit facility with PNC, which was entered into during the first quarter of 2023, provided borrowing capacity of $100 million and was scheduled to expire on May 29, 2026. On February 26, 2026, we entered into an amended and restated credit agreement with PNC to extend the maturity date to February 26, 2031. The amended agreement provides borrowing capacity of $150 million and may be increased to $200 million under certain conditions.

RLI Insurance Company also borrowed $50 million from the Federal Home Loan Bank of Chicago (FHLBC) on November 12, 2025, which replaced the $50 million borrowed in 2024. The borrowing matures on November 12, 2026, but may be repaid early at set quarterly dates. Interest is paid monthly at an annualized rate of 4.21 percent.

Two of our insurance companies, RLI Insurance Company (RLI Ins.) and Mt. Hawley Insurance Company, are members of the FHLBC. Membership in the Federal Home Loan Bank system provides both companies access to an additional source of liquidity via a secured lending facility. Our membership allows each insurance subsidiary to determine tenor and structure at the time of borrowing. As of March 31, 2026, $52 million of investments were pledged as collateral with the FHLBC to ensure timely access to the secured lending facility.

As of March 31, 2026, we had cash and other investments maturing within one year of approximately $635 million and an additional $786 million maturing between one to five years. Whereas our strategy is to be fully invested at all times, short-term investments in excess of demand deposit balances are considered a component of investment activities, and thus are classified as investments in our consolidated balance sheets.

We believe that cash generated by operations and investments will provide sufficient sources of liquidity to meet our anticipated needs over the next 12 to 24 months. In the event they are not sufficient, we believe cash available from financing activities and other sources will provide sufficient additional liquidity.

We maintain a diversified investment portfolio representing policyholder funds that have not yet been paid out as claims, as well as the capital we hold for our shareholders. Invested assets at March 31, 2026 have increased $226 million from December 31, 2025. As of March 31, 2026, our investment portfolio had the following asset allocation breakdown:

(in thousands)	Cost or Amortized Cost	Fair Value	Unrealized Gain/(Loss)	% of Total Fair Value	Quality*
U.S. government	$ 305,863	$ 307,140	$ 1,277	6.3 %	AA+
U.S. agency	27,280	27,288	8	0.6 %	AA+
Non-U.S. government & agency	16,882	16,286	(596)	0.3 %	A
Agency MBS	629,029	600,802	(28,227)	12.3 %	AA+
ABS/CMBS/MBS**	726,648	710,301	(16,347)	14.5 %	AA+
Corporate	1,535,290	1,504,405	(30,885)	30.8 %	A-
Municipal	428,929	362,470	(66,459)	7.4 %	AA+
Total fixed income	$ 3,669,921	$ 3,528,692	$ (141,229)	72.2 %	AA-
Equity	539,859	864,912	325,053	17.7 %	
Short-term investments	386,219	386,219	—	7.9 %	
Other invested assets	60,887	60,509	(378)	1.2 %	
Cash	49,121	49,121	—	1.0 %	
Total portfolio	$ 4,706,007	$ 4,889,453	$ 183,446	100.0 %	

* Quality ratings provided by Moody's, S&P and Fitch

** Non-agency asset-backed, commercial mortgage-backed and mortgage-backed securities

Quality is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio. As of March 31, 2026, our fixed income portfolio had the following rating distribution:

	AAA	AA	A	BBB	Below Investment Grade	No Rating	Fair Value
U.S. government	-	307,140	-	-	-	-	307,140
U.S. agency	-	27,288	-	-	-	-	27,288
Non-U.S. government & agency	-	1,394	7,274	5,523	-	2,095	16,286
Agency MBS	-	600,802	-	-	-	-	600,802
ABS/CMBS/MBS*	482,828	53,707	119,882	9,626	3,262	40,996	710,301
Corporate	15,044	169,506	606,637	424,148	162,034	127,036	1,504,405
Municipal	96,499	233,689	31,016	-	-	1,266	362,470
Total	594,371	1,393,526	764,809	439,297	165,296	171,393	3,528,692

* Non-agency asset-backed, commercial mortgage-backed and mortgage-backed securities

As of March 31, 2026, our fixed income portfolio remained well diversified, with 1,931 individual issues.

Our investment portfolio has limited exposure to structured asset-backed securities. As of March 31, 2026, we had $388 million in ABS, which are pools of assets collateralized by cash flows from several types of loans, including home equity, credit cards, autos and structured bank loans in the form of collateralized loan obligations (CLOs).

As of March 31, 2026, we had $322 million in commercial and non-agency MBS and $601 million in MBS backed by government sponsored enterprises (GSEs - Freddie Mac, Fannie Mae and Ginnie Mae). Excluding the GSE-backed MBS, our exposure to ABS and CMBS was 14.5 percent of our investment portfolio at quarter end.

We had $1.5 billion in corporate fixed income securities as of March 31, 2026, which includes $140 million invested in a high-yield credit strategy. This high-yield portfolio consists of floating rate bank loans and bonds that are below investment grade in credit quality and offer incremental yield over our core fixed income portfolio.

The municipal portfolio includes approximately 73 percent taxable securities and 27 percent tax-exempt securities. Approximately 91 percent of our municipal bond portfolio maintains an 'AA' or better rating, while 100 percent of the municipal bond portfolio is rated 'A' or better.

Securities within the equity portfolio are well diversified and are primarily invested in broad index exchange traded funds (ETFs). Our actively managed equity strategy has a preference for dividend income and value oriented security selection with low turnover, which minimizes transaction costs and taxes throughout our long investment horizon.

As of March 31, 2026, our equity portfolio had a dividend yield of 1.4 percent, compared to 1.1 percent for the S&P 500 index. Because of the corporate dividend-received-deduction applicable to our dividend income, we pay an effective tax rate of 13.1 percent on dividends, compared to 21.0 percent on taxable interest and 5.3 percent on municipal bond interest income. The equity portfolio is managed in a diversified and granular manner, with 77 individual securities and five ETF positions. No single company exposure in the equity portfolio represents more than 1 percent of invested assets.

Other invested assets include investments in low-income housing tax credit and historic tax credit partnerships, membership in the FHLBC and investments in private funds.

We had $56 million of investments in unconsolidated investees at March 31, 2026, compared to $54 million at December 31, 2025.

Our investment portfolio does not have any exposure to derivatives.

As of March 31, 2026, our capital structure consisted of $347 million in debt and $1.8 billion of shareholders' equity. Debt outstanding comprised 16 percent of total capital as of March 31, 2026. Interest and fees on debt obligations totaled $2 million for the first three months of 2026 and $1 million during the same period in 2025. We incurred interest expense on debt at an average annual interest rate of 5.03 percent during the first three months of 2026, compared to 5.18 percent during the same period last year.

We paid a regular quarterly cash dividend of $0.16 per share on March 16, 2026, the same amount as the prior quarter. We have increased dividends in each of the last 50 years.

Our three insurance companies are subsidiaries of RLI Corp, with RLI Ins. as the first-level, or principal, insurance company. At the holding company (RLI Corp.) level, we rely largely on dividends from our insurance subsidiaries to meet our obligations for paying principal and interest on outstanding debt, corporate expenses and dividends to RLI Corp. shareholders. As discussed further below, dividend payments to RLI Corp. from our principal insurance subsidiary are restricted by state insurance laws as to the amount that may be paid without prior approval of the insurance regulatory authorities of Illinois. As a result, we may not be able to receive dividends from such subsidiary at times and in amounts necessary to pay desired dividends to RLI Corp. shareholders. On a GAAP basis, as of March 31, 2026, our holding company had $1.8 billion in equity. This includes amounts related to the equity of our insurance subsidiaries, which is subject to regulatory restrictions under state insurance laws. The unrestricted portion of holding company net assets is comprised primarily of investments and cash, including $384 million in liquid assets. Unrestricted funds at the holding company are available to fund debt interest, general corporate obligations and dividend payments to our shareholders. If necessary, the holding company also has other potential sources of liquidity that could provide for additional funding to meet corporate obligations or pay shareholder dividends, which include a revolving line of credit, as well as access to capital markets.

Ordinary dividends, which may be paid by our principal insurance subsidiary without prior regulatory approval, are subject to certain limitations based upon statutory income, surplus and earned surplus. The maximum ordinary dividend distribution from our principal insurance subsidiary in a rolling 12-month period is limited by Illinois law to the greater of 10 percent of RLI Ins. policyholder surplus, as of December 31 of the preceding year, or the net income of RLI Ins. for the 12-month period ending December 31 of the preceding year. Ordinary dividends are further restricted by the requirement that they be paid from earned surplus.

In the first three months of 2026, RLI Ins. paid $80 million in ordinary dividends to RLI Corp. In 2025, RLI Ins. paid ordinary dividends totaling $139 million. Any dividend distribution in excess of the ordinary dividend limits is deemed extraordinary and requires prior approval from the Illinois Department of Insurance (IDOI). In 2025, our principal insurance subsidiary sought and received regulatory approval prior to the payment of extraordinary dividends totaling $151 million. As of March 31, 2026, $19 million of the net assets of our principal insurance subsidiary were not restricted and could be distributed to RLI Corp. as ordinary dividends. A total of $229 million in ordinary dividend capacity will be available over the remainder of 2026. In addition to restrictions from our principal subsidiary's insurance regulator, we also consider internal models and how capital adequacy is defined by our rating agencies in determining amounts available for distribution.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to our exposure to market risk from that reported in our 2025 Annual Report on Form 10-K.

Historically, our primary market risks have been equity price risk associated with investments in equity securities and interest rate risk associated with investments in fixed income securities. We have consistently invested in high credit quality, investment grade securities. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" of our 2025 Annual Report on Form 10-K for more information.

Item 4. Controls and Procedures

We maintain a system of controls and procedures designed to provide reasonable assurance as to the reliability of the financial statements and other disclosures included in this report, as well as to safeguard assets from unauthorized use or disposition. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was performed, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective, as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objective, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We believe that our disclosure controls and procedures provide such reasonable assurance.

No changes were made to our internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings – There were no material changes to report.

Item 1A. Risk Factors – There were no material changes to report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - not applicable.

Item 3. Defaults Upon Senior Securities - Not applicable.

Item 4. Mine Safety Disclosures - Not applicable.

Item 5. Other Information –

Securities Trading Plans of Executive Officers and Directors

Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables prearranged transactions in Company securities in a manner that avoids concerns about initiating transactions at a future date while possibly in possession of material nonpublic information. Our Insider Trading Policy permits our executive officers and directors to enter into trading plans designed to comply with Rule 10b5-1.

During the three months ended March 31, 2026, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description of Document	Incorporated by Reference Form	Incorporated by Reference Filing Date	Filed or Furnished Herewith
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			X
101.SCH	Inline XBRL Taxonomy Extension Schema			X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase			X
101.DEF	Inline XBRL Taxonomy Definition Linkbase			X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase			X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase			X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			X

* Management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RLI Corp.

/s/ Aaron P. Diefenthaler
Aaron P. Diefenthaler
Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

Date: April 24, 2026