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**RLI**  
DIFFERENT WORKS

## RLI Fidelity News

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### RLI retains A+ (Superior) A.M. Best rating

The industry's top rating agency recently affirmed its A+ ratings of all RLI insurance subsidiaries.

[Read the entire press release.](#)

### RLI 1Q10 earnings released

In the first quarter of 2010, RLI posted a combined ratio of 89.1 and operating earnings of \$20 million.

[Read the full release.](#)

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### RLI Fidelity ready to serve you

Hello again from RLI Fidelity. When we embarked on this newsletter, we promised we wouldn't inundate your inbox with e-mails, but we didn't envision a gap since August of last year. So what's been going on?

We ended our first full year of operations close to the objectives we set out for ourselves. Thank you for the support in 2009. We also spent the first few months of 2010 focused on renewing our reinsurance treaty. That treaty renewed on 3/1 and was oversubscribed. We renewed with our existing partners and included a few new friends.

The fidelity industry remains profitable and healthy, as you'll see in more detail in the comments below. We hope you find this information useful and thought provoking. If you'd like to discuss the industry or a particular opportunity, don't hesitate to give us a call or drop us an e-mail.

### What's New

#### About the Top 100 writers of fidelity bonds

The Surety & Fidelity Association of America released their Top 100 Writers report in May for year end 2009. As usual, we have some observations from the data.

RLI Fidelity is the 11th largest writer by direct written premium (DWP) of fidelity bonds, up from 30th.

DWP for the industry was \$1.1 billion, down 4% from 2008-2009. This is slowing from the 11% drop from 2007-2008, but still down 27% from the high of \$1.4 billion in 2004.

Direct losses incurred stood at \$559 million, resulting in a loss ratio of 49.7%. This is up 6.6% from 2008, but still in line with the 10-year average of 46.8%.

What's more concerning -- and may cause some market consternation -- is the net loss ratio. The 2009 net loss ratio was 67.2%, almost double the 2008 figure of 35.9% and well above the

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10-year average of 48.2%. This is the highest it's been since 2002. It could be a sign of a tightening market, especially when you consider that some major fidelity players had net loss ratios above 70%. Combine that with a standard expense ratio of 30%, and they're at break even or flirting with unprofitability.

AIG (or Chartis, as they're now called) continued to lose premium, dropping 22% during 2009 and posting a 106% net loss ratio. Chubb held onto the top spot in DWP with \$253 million, down only 8%. More troubling, Chubb's net loss ratio spiked to 71%, the highest it's been in the last 10 years by a wide margin. Could this also be a sign of tightening?

Great American continues their excellent performance with a net loss ratio of 32% and DWP growth of 20% during 2009.

If you'd like to discuss the results in more detail, give us a call, or drop us a note. Strangely enough, being fidelity specialists, we like to talk about this stuff.

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