S&P Capital IQ

CONTENTS

RLI Corp. NYSE:RLI

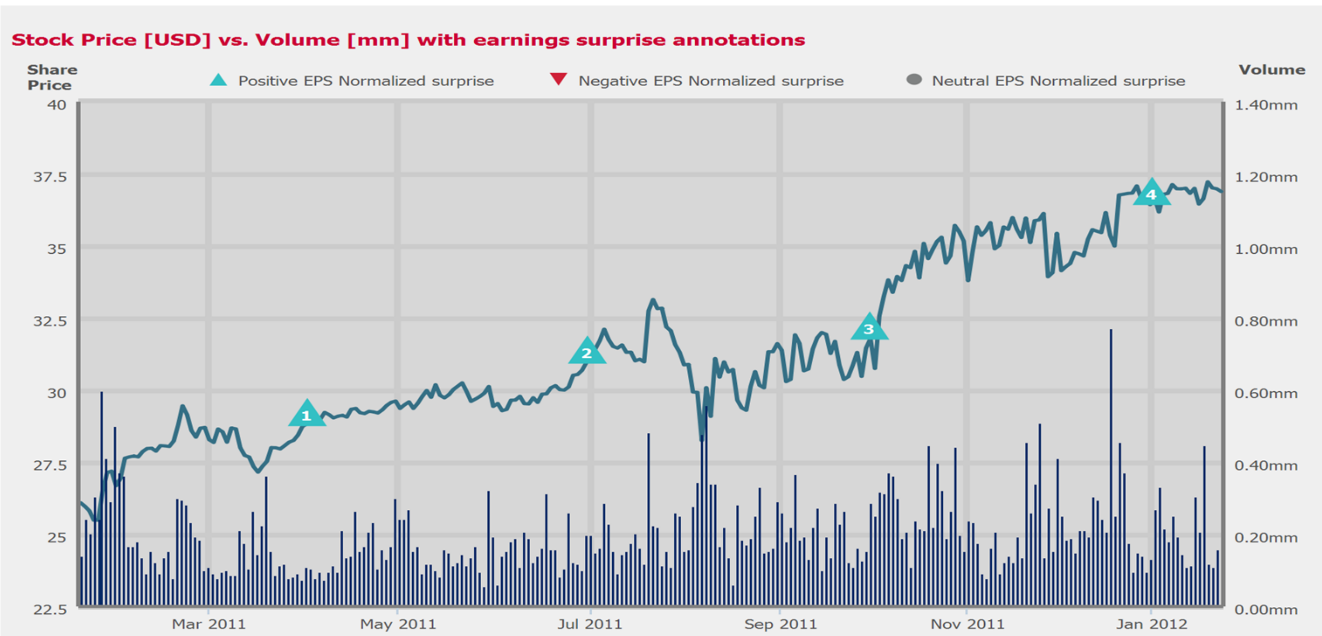
FQ1 2012 Earnings Call Transcripts

Thursday, April 19, 2012 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2012-			-FQ2 2012-	-FY 2012-	-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.53	0.48	▼(9.43 %)	0.57	2.11	2.21
Revenue (mm)	151.69	163.99	▲8.11	154.35	630.86	673.38

Currency: USD
Consensus as of Apr-19-2012 1:51 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2011	0.46	0.56	▲21.74 %
FQ2 2011	0.53	0.96	▲81.13 %
FQ3 2011	0.49	0.62	▲26.53 %
FQ4 2011	0.55	0.68	▲23.64 %

Call Participants

EXECUTIVES

Aaron H. Jacoby
Vice President of Corporate Development

Jonathan E. Michael
Chairman and Chief Executive Officer

Michael J. Stone
Director

Thomas L. Brown
Chief Financial Officer and Senior Vice President

ANALYSTS

Adam Klauber
William Blair & Company L.L.C., Research Division

Douglas Robert Mewhirter
RBC Capital Markets, LLC, Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Randolph Binner
FBR Capital Markets & Co., Research Division

Ryan J. Byrnes
Macquarie Research

Tak-Sun T Lee
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

Operator

Good morning, and welcome, ladies and gentlemen, to the RLI Corp. First Quarter Earnings Teleconference Call. At this time, I'd like to inform you that this conference is being recorded. [Operator Instructions] Before we get started, let me remind everyone that through the course of the teleconference, RLI management may make comments that reflect their intentions, beliefs and expectations for the future. As always, these forward-looking statements are subject to certain risk factors, which could cause actual results to differ materially. These risk factors are listed in the company's various SEC filings, including in the annual Form 10-K, which should be reviewed carefully. The company has filed a Form 8-K with the Securities and Exchange Commission that contains the press release announcing first quarter results.

RLI management may make reference during the call to operating earnings and earnings per share from our operations, which are non-GAAP measures of financial results. RLI's operating earnings and earnings per share from operations consist of net earnings after the elimination of after-tax realized investment gains or losses. RLI's management believes this measure is useful in gauging core operating performance across reporting periods, that may not be comparable to other companies' definitions of operating earnings. The Form 8-K contains reconciliation between operating earnings and net earnings. The Form 8-K and press release are available at the company's website at www.rlicorp.com.

At the request of the company, we will open the conference up for questions and answers following the presentation. I would now like to turn the conference over to RLI's Vice President, Corporate Development, Mr. Aaron Jacoby. Please go ahead, sir.

Aaron H. Jacoby
Vice President of Corporate Development

Thank you. Good morning to everyone. Welcome to the RLI earnings teleconference for the first quarter of 2012. Joining me on today's call are Jon Michael, Chairman and CEO; Mike Stone, President and Chief Operating Officer; and Tom Brown, Vice President and Chief Financial Officer.

I'm going to give some brief opening comments on the quarter, then turn the call over to Mike to talk about our operations and market conditions. Then we will open the call for questions, and Jon will finish up with some closing comments.

From our perspective, we saw several major headlines for the quarter, an 89 combined ratio, 23% growth in premium, continued favorable reserve development, strong total returns on investments, but continued pressure on investment income, still improving market conditions and continued vigilance on individual product lines such as contract surety and select casualty lines.

As usual, there were a number of items that influenced the quarter. In addition to reserve development, this quarter reflected the impact of the new DAC or deferred acquisition cost accounting standard. In the first quarter of implementing this new standard, a quarter that saw significant growth, our expenses saw a corresponding increase, and such expenses are not deferred to the same degree as previously. In these periods of expansion, the reduced deferral of expenses is a fact of life but ultimately, just a timing issue. Subsequent quarters may not see the same degree of impact as this first quarter. It will largely depend on the degree to which non-deferrable expenses are incurred relative to premium.

As most of you who have followed RLI for a while know, reserve levels are subject to quarter-by-quarter adjustment based on our actuarial process and therefore, can be and has been relatively volatile from quarter-to-quarter. From an investment portfolio perspective, we saw a strong 2.4% total return on the quarter. Below reinvestment yields continue to impact investment income, which was down 6% in the quarter. So bottom line, $0.96 of operating income on an 89 combined ratio and 4.3% growth in book value per share, a respectable start to the year. And with that, I'll turn the call over to Mike.

Michael J. Stone
Director

Thanks, Aaron. Good morning, everybody. Another good underwriting quarter, 10-plus points of underwriting income, 89 combined ratio. Our underwriters continue to perform well in what has been a difficult insurance market and soft economic environment. We are, however, and I think somebody told me before that you're not supposed to listen to anything before the however clause, beginning to see a brighter picture with positive trends in gross written premium. We were up 23% for the quarter. And rates moving up as well, casualty up some 5% and property up some -- around 10%. The low interest rates, mediocre overall underwriting results and tightening reserve positions are having a positive effect, finally on rates and should prevent further rate declines. We are seeing better times ahead.

Casualty. Gross written premium was up 29% for the quarter, 15% excluding CBIC. Double-digit growth in all casualty businesses except transportation, which was down 9%. Transportation is a bit of a conundrum, and at this point, it usually leads the rate recovery.

Transportation still very competitive, rates flat to down slightly. As I said, gross written premium, for us, was down 9%. But submission activity improving, i.e. more and better opportunities. Economy is picking up. That is, the truckers are in better shape, and a couple of MGA programs are falling apart. So where we are, cautiously optimistic here as well.

One real bright spot is E&S casualty, excess and surplus lines casualty both primary and umbrella, particularly in the Northeast, where rates for umbrella on contractors are up some 50%. As we see more opportunities, as there are less capacity available with some very important primary companies requiring $2 million underlying, when it used to be only $1 million providing us opportunities to either write the full excess or write a buffer layer that didn't exist before.

The primary liabilities up some 10% in rate in the Northeast, with habitational leading that rate improvement. I will say that the habitational business leads that rate improvement and probably a little more. And we're pushing for that. Other geographies are not quite as firm. But we are seeing some firming in the Southwest and in the West, not so much in the South as it continues to be weak with the economy not recovering as quickly and construction activity still moribund.

Our CBIC property and casualty business saw a bit growth in the quarter as our new initiative's expansion in a couple of new states are off to a good start. And we continue to grow our footprint in our professional services group, that's architects and engineers, miscellaneous professional liability, both in professional liability and our packages, and it was up some 25% in the quarter. Our Executive Products Group, basically directors and officers was up some 19% in the quarter as rates have stabilized, and we're seeing more opportunities. Overall, we're quite optimistic on our casualty businesses going forward.

Property. Gross written premium up some 13% in the quarter. All our businesses except wind, which were up except for wind, which was down some 8% as we manage our wind exposure down while achieving significant rate increases and win some 30%. That's driven, in large part, by the model change, RMS 11. Our DIC earthquake business grew some 10% in the quarter, basically on rate. We added some $3 million in our assumed treaty business. Our marine business was up 7% in gross written premium and is starting to make a positive contribution after several years of struggle.

While we added a crop treaty in the quarter, some $16 million worth of gross written premiums for the year on modestly better terms, overall, our property business is in good shape as we move to a better economic and insurance rate environment.

Surety. Gross written premium up some 29%, 7% x-CBIC. Surety business except for contract is up. Contract surety was flat. Contract surety, as we have discussed in previous quarters, continues under stress as construction activity remains in the doldrums. Many contractors are under considerable stress, but we are actively managing our book. We've restructured or jettisoned some 25% of our book over the past 18 to 24 months. We are, however, starting to see some positive movement in construction activity and in some sections of the country, but still not enough. And we will continue to manage this closely and be very careful as we go in through the rest of the year.

Our other surety businesses, oil and gas, commercial, miscellaneous, are performing as expected and growing a bit. We're optimistic on our surety products, yet expect contract surety to be difficult for the year. Overall, a good underwriting quarter, and we are optimistic that the market will continue to firm throughout the coming quarters. Thank you.

Aaron H. Jacoby
Vice President of Corporate Development
Great. Thanks, Mike. We can now open the call up for questions.

Question and Answer

Operator

[Operator Instructions] And the first question comes from Meyer Shields with Stifel, Nicolaus.

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Two questions for you. Could you talk a little bit about, I guess, accident and calendar period results within the casualty segment. It's a little bit higher than we would have anticipated?

Michael J. Stone
Director

Well, I think, that certainly casualty. Our transportation business had a bit of adverse on our reserves. Overall, we're -- increased our loss fix on a number of businesses as well. Certainly as we're growing that business, we're going to be cautious as we book that business. And certainly, the reserve releases weren't as significant as they've been in the past as well.

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Is there -- this is a broader question. It was just a casualty sign. But is there any mirror to the argument that in a stronger economy, because there's more activities in general, there are probably more claims ultimately to hit insurance companies? Is that something to be concerned about?

Michael J. Stone
Director

Yes, it's Mike Stone again. Yes, I -- certainly, you're going to be more cautious as you're growing. And I think you'll -- if you look back 5 or 6 years when everybody was growing fairly significantly, their fix were pretty conservative. At least they've looked conservative in a rearview mirror. I probably didn't think they were so conservative at the time. So there's uncertainty out 3 or 4 years, which is where you have to think about from a casualty perspective.

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. And one last question, if I can. Was there any significant impact from weather on results in the quarter?

Michael J. Stone
Director

No. I should say -- I'd say no to that quickly. Actually, I think we'd probably had some positive impact. It wasn't nearly as bad as has been the years past from a casualty perspective, particularly where fewer slip and fall claims, that kind of stuff.

Operator

At this time, we will go to Doug Mewhirter with RBC Capital Markets.

Douglas Robert Mewhirter
RBC Capital Markets, LLC, Research Division

First question I had, it was about, I guess, revisiting surety. Do you think that there's an issue of surety where it's maybe a lagging indicator on a bad economy where contractors kind of hold off and hold off on triggering the bonds until it's too late and actually, they're doing that actually into the recovery because they just don't have enough rope left?

Michael J. Stone
Director

I think that's -- this is Mike Stone again. I think that's a pretty good observation. I think we've been -- what's the right word, we've been pretty cautious about contract surety for the past couple of years and have been very proactive in managing our book. That said, it doesn't take many contract surety losses to turn a good book into a bad book, at least for a short period of time. And you're right, I think, like most businesses, they hang on until they can't hang on anymore. Banks squeeze them. We're squeezing them. They're trying to take on more work than our bigger work, than maybe they're able to take on. Bigger contractors are coming down into the smaller contractor space. So again, I think your observation is probably a good one.

Douglas Robert Mewhirter
RBC Capital Markets, LLC, Research Division

Okay. And the current -- the adjustment to the current x that year, that was supposedly contract surety and a few of the casualty lines. That's correct?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

Yes. Doug, it's Tom Brown. That's correct. It was contract surety. As we said in the press release, and we said selected casualty lines. That's up about 1.5 percentage points year-over-year. And when you get to the specifics of the lines, it's general liability in EPG.

Douglas Robert Mewhirter
RBC Capital Markets, LLC, Research Division

Okay. My second question on the investments, yes, your investment income is down. However, I noticed if you look at my estimate of book yield, it looks like it actually went up compared with what the annualized third and fourth quarter last year was. If you -- is that just sort of noise or have you made any adjustments to the duration of your portfolio, or to the credit risk in your bond portfolio, maybe going from aa to A+, or something like that?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

A couple -- it seems like there's a couple of questions in there, but let me address the first one. I think you're talking about year-over-year decrease of 6%. A big piece of that, bear in mind, is the special dividend was paid out in December. So $110 million coming out of our investment portfolio, throwing off 3%, 3.5%. So you have to factor that in as the lower base that we're starting from, certainly. And as we've said in the past, we feel that it's prudent management of the capital and when we don't have a useful return to the owners. The second piece of that, yes, we did use a bit of a repositioning of the investment portfolio during Q1 here. We trend back some of our equity securities, as well as some of our BBB corporate securities. So we moved up a little bit in the -- on the quality scale on the fixed income. And also, we moved out -- moved that principally into corporate and municipal securities and out on the yield curve, roughly in the 7- to 10-year range to get a little more return.

Douglas Robert Mewhirter
RBC Capital Markets, LLC, Research Division

Okay. And I just had one quick follow-up question on Maui Jim. Do you -- it looks like year-over-year, it's a highly seasonal business, but year-over-year, looks like there's improvement. Is that -- do you see business conditions improving in general for that, as it's generally tied to the economy? Or is the end of that just sort of noise compared to with last year?

Michael J. Stone
Director

John, Michael here. I don't think you can read anything into Maui Jim's results, first quarter this year versus first quarter last year. You really kind of have to look at that over in multiple quarters to get any kind of trend. So I wouldn't.

Operator

At this time, we'll go to Randy Binner with FBR.

Randolph Binner
FBR Capital Markets & Co., Research Division

Question on the higher DAC expense, and seemingly from your calendar, it's driven by growth. And so I guess, if we were to assume that CIBC had kind of another quarter to get it's kind of the growth run rate into our numbers, the deckhouse is kind of the over-edging growth that caused the higher DAC expense? And if you went down to more of like a 10% or a 5% normal kind of more of a normal growth rate, would we see a lot of that fade away? And I'm just trying to get to how to think about the expense ratio going forward?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

This is Tom Brown. Thanks, Randy. That's a good question. Think of it this way, I think -- let me give you kind of 3 things to think about. In a period of no growth, it should be pretty stable, period-to-period, in terms of the expense ratio. In a growth, it is going to increase. And contrast that within a period of contraction, it should go the other direction. The second item is, the standard itself is a successful effort or where you have cost that you cannot attribute to a successful effort. In that case, you can have another dynamic. Well, let me just back up. For -- in that period, it's always just a function of timing as Aaron mentioned in his opening remarks. The cost is what is. It's just a function of which period you recognize the expense. The third item is the mix. As you know, we have grown little with CBIC, to a greater degree in CBIC. That carries a much higher expense ratio. We're up about 60 points. I think it was in the details there. But having said that, when you talk about an acquisition, and this could be a fold-in as well, you've got a lot of cost associated with the acquisition of the company itself that have to run its course. In the quarter, we had approximately $0.03 per share, roughly $1.3 million in expense that ran through the quarter. That should decline and diminish. For all intents and purposes, be gone by the end of the year. But we should see quarter-to-quarter as we move into Q2 and Q3, a steady decline on that drag on earnings.

Randolph Binner
FBR Capital Markets & Co., Research Division

Okay. So -- and just to clarify, the $0.03 is more of kind of a one-time CBIC-related item? That's outside of the $0.05 of DAC drag?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

That is included in the $0.05. The 2% is going to be the one that's highly unpredictable in a given quarter. It can be of influence by 2 items. One is the growth or contraction, and two, is the mix of the business.

Randolph Binner
FBR Capital Markets & Co., Research Division

Okay. I'm straight on that now. And then -- and actually, one more if I could, just about E&S. I think you had some commentary about transportation kind of getting better on a submission basis for E&S, but I'd be also curious to see if that commentary holds through E&S, kind of across the organization. And if that, you see the E&S market getting any closer, to kind of turning the corner, so it kind of gets better submission activity, maybe some of the more admitted focused companies migrating back to their main businesses?

Michael J. Stone

Director

It's Mike Stone again. First of all, our transportation business is really an admitted business, but they've got quite a bit of latitude in rates. But it's admitted business. And, but it -- I won't say, mirrors is probably the wrong word, but it walks pretty well alongside the E&S side. We are seeing better opportunities on the E&S casualty, both on a primary and in excess umbrella basis. So we're seeing better submissions, more submissions, and better activity. I think the standard lines guys are pulling back a bit. I mean, they're still there, but pulling back a bit. There remains plenty of competition. But I was trying to contrast transportation from the standpoint of rate, from the standpoint of growth, from the standpoint of them being typically the leader in a rate recovery because it's a short-tail casualty line and indicating well. I think there are some positive aspects of transportation that you're not seeing yet in the numbers, which I think is a good sign for the future.

Operator

At this time, we'll go to Matt Carletti with JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

I just had a quick question on the top line, if you could provide a little more color on what's driving the growth. I mean, the biggest piece seems to be CBIC, 10 points of the 23 of growth. Can you maybe rank-order or give some color on what the other items are? I mean, ones that come to mind are just the economy, the standard lines of business coming back to the E&S market. Your new initiatives gaining traction and then kind of pure rates. I mean, do any of those stick out, or is it a fairly even contribution?

Michael J. Stone
Director

Matt, it's Mike Stone. It sounds like you answered your question. The-- I think it's a combination of those things. The -- certainly, we've had some improvement in some property business, which is driven, in large part, by rate. We've had some improvement in casualty, which is some rate and some new initiatives. Our new initiatives are starting to throw off more gross written premium. That is from our professional services group. That's basically our protection engineers, both the professional liability side and the property casualty side, the package stuff. Our GL umbrella business is up nicely in the quarter. And what else? I mean, certainly, rates, certainly, economies are starting to help. I think it was another one of your points. Yes. So all in all, it looks like things are getting better from a macro standpoint, and things are starting to get better from a rate standpoint. And we've invested quite a bit in new products, extensions of our current products, both geographically and adding product. And so, we think we're well-positioned to benefit from a turn or even at slow-moving turn. We're well-positioned. We got most of our products in good shape, and if not, all of them. We've got our systems ready. We think we're able to handle quite a bit more premium without a whole lot more expense.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. And then just drilling down on one of those. I mean, I think it was last quarter that you said maybe for the first time in a while, you had started to see the standard lines market, maybe some players kind of -- you give some respect to the E&S market. They kind of get a little more religion, if you will. I mean, did that continue in Q1, accelerate? Was there any material change there? Are you still seeing it?

Michael J. Stone
Director

Yes, again, we're still seeing it. All of those things, it's hard to quantify that. And as you can say, that it's -- you'll see it more if you see rates firm even more. That's probably a function of the standard lines guys pulling back even more. Though you will see that Travelers recorded pretty good results. I don't know what that portends for the standard lines guys. But certainly, we're seeing them pull back a bit. Some people have gotten hurt in some areas and are pulling back. And so that's a good sign for us.

Operator

And now from William Blair, we will hear from Adam Klauber.

Adam Klauber
William Blair & Company L.L.C., Research Division

When we look at the accident in your ratio and calendar -- I'm sorry, for casualty, looks like it was up, maybe 200 basis points from a year ago, roughly 200 basis points from the -- from what it was last year. I guess what's driving that?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

I'm sorry, Adam, would you repeat that question a bit? You're talking about [indiscernible]?

Adam Klauber
William Blair & Company L.L.C., Research Division

Sure. Yes, that it seems like the accident in your loss ratio in casualty is up a bit in the first quarter of this year compared to what it was averaging last year?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

Right, right. Yes. What we're seeing there. I'm having a hard time. Yes...

Jonathan E. Michael
Chairman and Chief Executive Officer

Yes, Adam, it's Jon Michael. Really, probably what's driving that is we -- it's a mathematical thing. You look at what's happening with rates. You look at what's happening with the loss costs and then you look at the activity and claim, and put all of those things together, that resulted in higher loss fix. So I think that the -- the higher accident in your loss ratio, expectation is probably coming from -- well, it is coming from a higher loss pick. I don't know if that answers your question, but it's the combination of all of those things that I -- so...

Adam Klauber
William Blair & Company L.L.C., Research Division

Well, along with that, I guess, could you give us some idea of loss trend? How that's running in some of the different casualty lines?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

I can give you a couple of things. We mentioned the select casualty lines, Adam. Year-over-year, they're up about 1.5 percentage points, so we're not talking significant movement. Where we're largely seen that currently is in general liability and EPG. And that's executive products [indiscernible].

Jonathan E. Michael
Chairman and Chief Executive Officer

The other D&O, the other thing that comes into play and this is the mix of our business. So there's just an awful lot of things that go into it and to be able to get them down to whether it's 30% this or 30% that, it would be difficult really to say.

Michael J. Stone
Director

Adam, it's Mike Stone. Another thing, obviously, we grew our commercial umbrella a bit in the quarter, quite a bit actually, and that carries, quite a bit, a larger loss ratio than the other segments. So mix is a big part ultimately of this.

Operator

And at this time, we will hear from Ryan Byrnes with Macquarie.

Ryan J. Byrnes
Macquarie Research

Just a quick question on -- you guys mentioned the 5% rate increases for the casualty lines. What kind of retention are you guys getting for that book? And I guess, has it been impacted by the -- your rate increases?

Michael J. Stone
Director

It's Mike Stone. Obviously, it depends on the product. Certainly, our E&S businesses have a lower retention than we do our specialty admitted businesses. It's anywhere from 60% to 80%. And typically in a rising rate environment on the E&S side, our retentions are probably going up, and not down, because we're seeing more and better opportunities, and we're able to keep our renewals. On the specialty admitted side as well, that will probably go up for the same reason. So our renewals, obviously, are always under pressure but they're-- but like we said, anywhere from 60% to 80%, depending on the product.

Ryan J. Byrnes
Macquarie Research

Okay, great. And then just one last one for me. Just quickly the unfavorable development in the surety line. What years, I guess, is that coming from? And is it just kind of one claim, or is it much that -- or just that multiple claims? I just want to see where that's coming from?

Thomas L. Brown
Chief Financial Officer and Senior Vice President

In the surety line there -- it's 2 things really if you think about there -- we had favorable development of about, I think it was $1.8 million in the -- I'm sorry, $1.5 million in the prior year. And contrast that with the $1.3 million unfavorable this year. So that's what gives you a swing growth of the $2.8 million, which is that shift you see in the combined ratio of 73.5 to 90, coupled as I said previously, there's an uptick in the expense ratio component of that combined ratio for surety as well. With -- I think it's -- was the other part of your question the year...

Ryan J. Byrnes
Macquarie Research

It was with more towards the prior year developments.

Michael J. Stone
Director

It's basically 2011.

Thomas L. Brown
Chief Financial Officer and Senior Vice President

Yes, it was 2011. Correct.

Operator

And at this time, we will go to Frank Lee with KBW.

Tak-Sun T Lee

Keefe, Bruyette, & Woods, Inc., Research Division

I just had a follow-up on the surety additions. And were these coming from the CBIC book or some of your older books of business?

Michael J. Stone
Director

This is Mike Stone. It's coming from the ROI side. CBIC continues -- continued to perform as they have in the past. Again, they got a lower retention, so you're not going to see as much movement there in any event. But there -- they've continued to perform as expected.

Tak-Sun T Lee
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And in terms of M&A, would you guys be interested in doing like another sort of deal like the CBIC one, or maybe bring on new teams? I just kind of want to see what your guys' M&A appetite is right now.

Jonathan E. Michael
Chairman and Chief Executive Officer

Jon Michael here. Yes, we're definitely interested in looking at opportunities. If you have 1 or 2, bring them our way.

Operator

And if there are no further questions, I'd like to turn the call back over to Mr. Jonathan Michael.

Jonathan E. Michael
Chairman and Chief Executive Officer

Thank you. We noticed calling in, is an old friend Charlie Gates. Charlie, we miss your questions, so glad to see you're still listening to us. It was a noisy quarter especially because of the accounting change for the acquisition expenses and purchase accounting, and all of that stuff. A respectable result at 89 combined. Gosh, we used to talk about 89 combined being euphoric. But when you closed 70-something combines, as we did last year, 89 doesn't sound quite as good. But believe me, they're probably about 3 -- 3,300 other P&C companies out there that would love to have an 89 combined. That, coupled with the premiums up 23% and 13%, excluding the acquired CBIC business portends good things for us for the future. As Mike mentioned, premiums were up both in terms of rate and from sheer volume. And that's always a good sign for a specialty company like RLI. We do have the people. We have the systems and the products, and we're well-positioned for better market conditions that do lie ahead. And we look forward to that. And we look forward to talking to you again next quarter, and thank you all for attending.

Operator
Ladies and gentlemen, if you wish to access the replay for this call, you may do so by dialing 1 (888) 203-1112 with an ID number of 6646773. This concludes our conference for today. Thank you all for participating, and have a nice day. All parties, you may now disconnect.