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**RLI Corp.**  
**Corporate Governance Guidelines**  
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## Board of Directors

### 1. Board Membership

#### 1.1 Independent Directors

A majority of the members of the Board shall be comprised of Independent Directors. The Board shall determine that each "Independent Director" has no material relationship with the Company (either directly or as a partner, Shareholder or officer of an organization that provides goods or services to the Company). The Board has adopted a written Statement of Policy with respect to Related Party Transactions (Appendix A), which is applicable to all Directors and Officers. The Board has also adopted independence standards applicable to the Directors (Appendix B) which are substantially similar to those set forth in the Listed Company Manual of the New York Stock Exchange.

#### 1.2 Non-Management Directors

Directors that have a relationship with the Company, but are not considered management employees are "Non-Management Directors."

#### 1.3 Management Directors

Directors employed by the Company in a management position are "Management Directors."

#### 1.4 Lead Director

When the Chairman of the Board is not an Independent Director, the Board will utilize a Lead Director. The Lead Director shall be an Independent Director, shall be the Chair of the Nominating/Corporate Governance Committee of the Board, and shall be appointed by the Independent Directors. The Lead Director position shall be governed by a Charter, as approved and revised by the Independent Directors, and shall otherwise have duties as set forth in these Corporate Governance Guidelines.

### 2. Executive Session

All Independent and Non-Management Directors will meet prior to each quarterly Board meeting to promote open discussion among Non-management and Independent Directors. If the Chairman of the Board is an Independent Director, such director will preside at these meetings. If the Chairman of the Board is not an Independent Director, the Lead Director will preside at such meetings, as set forth herein and in the Charter for such position. At least once a year the Independent Directors will meet in executive session without Non-Management Directors.

### **3. When a Director Changes Occupation**

When a Director's principal occupation or business associations changes substantially from (a) the positions and associations the Director held when originally invited to join the Board, or (b) subsequent position and associations held by such Director, the Director shall promptly notify the Nominating/Corporate Governance Committee. In such case, the Director shall tender written resignation to the Board, subject to acceptance or rejection of such resignation by the Board. The Committee will review whether the new occupation, position or affiliations of the Director (a) are in the best interests of the Company and its stockholders, (b) are consistent with the specific rationale for originally selecting and retaining the individual, (c) that no material conflict of interest will exist, and (d) that such changes will not cause the Director to become non-independent under the Company's requirements for Director independence. Based on such Committee review, it shall determine whether to accept or reject such resignation and make appropriate recommendations to the Board for confirmation. If the Board accepts a resignation, it shall be effective as of the date determined by the Board.

Independent Directors are encouraged to limit the number of other Boards on which they serve, taking into account conflicting dates, possible conflict of interest and the required work level. Directors should advise the Chairperson of the Nominating/Corporate Governance Committee in advance of accepting an invitation to serve on another Board.

### **4. Term Limits**

There is no limit on the number of times a Director may be elected. The Nominating/Corporate Governance Committee will review each Director's contribution to the Company at the end of the Director's applicable term. The Committee will then recommend to the Board the names to be placed on the Shareholder proxies for re-nomination.

### **5. Retirement**

RLI has no mandatory retirement age for Directors.

### **6. Director Emeritus**

A Director who has served for more than ten (10) years and has retired may be appointed as a Director Emeritus to serve at the pleasure of the Board, without compensation other than reimbursement for travel expenses incurred. A Director Emeritus may be invited to attend such portions of the meetings of the Directors and Shareholders as the Board shall determine to be appropriate and shall have no vote on any Board matter.

## **7. Board and Committee Agendas**

To allow for proper staff work, proposals to be discussed at a Board meeting are limited to those proposals listed on the agenda.

The Corporate Secretary shall prepare the agendas with the Chairman, Chief Executive Officer, General Counsel, and Committee Chair's input. Each member of the Board may suggest items to be included on the agenda not less than ten (10) days before the meeting is to be held.

Information and data that is important to the Board's or Committee's understanding of the issues to be discussed will be distributed in writing to the Board and its Committees before they meet. Management will make every attempt to keep this material as brief as possible while still providing the desired information. On those rare occasions in which the subject matter is sensitive the presentation will be discussed at the meeting with or without handouts.

## **8. Reports**

The Chief Executive Officer shall prepare memos to the Directors between meetings when important events occur. A financial summary presentation shall be made at each meeting.

## **9. Responsibilities**

### **9.1 General Responsibilities**

Each Director shall support and help the Company achieve its objectives by being available for consultation to the Company's executives, maintaining a positive public attitude toward the Company, attending as many meetings as possible and carrying out the functions as prescribed in the By-Laws. The Company has an orientation process for a new Director that includes background material, meetings with senior management and visits to Company facilities.

**9.1.1 Policies.** Establish broad corporate policies.

**9.1.2 Dividends.** Take dividend actions.

**9.1.3 Financing.** Approve overall financing programs, subject to authorization by Shareholders when necessary; authorize appropriate officers to take actions as may be required to implement such programs.

**9.1.4 Acquisitions and Mergers.** Approve material acquisitions and mergers, subject to authorization by Shareholders when necessary; suggest acquisition possibilities.

- 9.1.5 Planning.** Annually review the strategic and operational plans of the Company; quarterly evaluate progress against such plans.
- 9.1.6 Corporate Relations.** Review and make suggestions to assist in building and maintaining constructive financial, trade, employee and public relations resulting in a favorable corporate image.
- 9.1.7 Knowledge of Company and Industry.** Keep informed of the Company's business and to the extent feasible of the industries in which the Company operates.
- 9.1.8 Exercise of Due Care.** Directors must act solely in the interest of the Company and its Shareholders; they must exercise in the management of corporate affairs the degree of care, which prudent people, prompted by self-interest, would exercise in the management of their own affairs.
- 9.1.9 Access.** Each Director shall have complete access to, and may make inquiries of, the Chief Executive Officer and other corporate officers. As necessary and appropriate, the Board may retain and consult with independent advisors.
- 9.1.10 Meetings.** Attend Shareholder, Board and Committee meetings. It is expected that Board and Committee meeting materials will be reviewed in advance of the meetings on the Company's website.
- 9.1.11 By-Laws.** Adopt proposed changes to By-Laws.
- 9.1.12 Authorization Limits.** Review and approve the Company's subsidiary Officer Authorization limits.
- 9.1.13 Special Contributions Expected of Directors**
  - 9.1.13.1 Experience.** Bring to the Board objectivity and breadth of specialized and other relevant experience.
  - 9.1.13.2 Consultation.** Serve as a consultant to the Chief Executive Officer and others in the Company.
  - 9.1.13.3 Advice and Criticism.** Offer constructive advice and criticism and promote actions, which are in the best interests of the Company.
  - 9.1.13.4 Independent Forum.** As an informal group, provide an independent forum for management to demonstrate continuous accountability for overall policies and actions.

#### **9.1.14 Cautions for Directors**

- 9.1.14.1 Interference.** Avoid interference with actual operations; make inquiries of corporate officers and other employees; however, a Director may not assign work to any employee or officer. Any request for special reports or other work to be performed by employees must be made to the Chief Executive Officer.
- 9.1.14.2 Confidential Information.** Unauthorized disclosure of confidential information is prohibited.
- 9.1.14.3 Compliance.** Directors are required to comply with laws, rules and regulations, including insider trading laws. Contemplated Company stock sales are required to comply with the Company's Insider Trading Policy and related procedures.

### **9.2 Director Compensation**

With the exception of Management Directors, fees are the only compensation a Director may receive from the Company.

The Nominating/Corporate Governance Committee has the responsibility for, among other things, recommending to the Board the compensation and benefits for Non-Management Directors. The Committee should base the level of Director compensation on fair pay commensurate with time spent in carrying out Board and Committee responsibilities and be competitive with comparable companies. To accomplish this, the Committee reviews material gathered from various Directors' compensation sources. The Committee also believes a portion of Directors' compensation should align Directors' interests with the long-term interests of the Company and its Shareholders. Annually the Committee reviews the Directors' compensation and benefits, including the Chairman of the Board fee, for recommendation to the full Board for approval. Management Directors receive no Director compensation. The Committee's Charter sets forth in detail the purposes, goals and responsibilities of the Committee with respect to Director Compensation.

**9.2.1 Change in Membership** When a director is appointed, retires or a change in Committee or Chairperson membership occurs ("Change"), all fees will be prorated as of the date of the Change and paid on a 365-day basis (or in the event of a leap year, all fees will be prorated on a 366-day basis).

**9.2.2 Director Stock Ownership** Directors are strongly encouraged to, within five (5) years of their initial appointment as a Company Director, beneficially own

shares of the Common Stock of the Company having a value of not less than five hundred percent (500%) of such Annual Board Retainer. Shares owned directly or indirectly are considered in meeting this ownership.

Each Director has the option of deferring Director's fees until retirement and departure from the Board.

### **9.3 Unacceptable Director Activities**

**9.3.1 Gifts.** A Director or an affiliate of any Director shall not accept anything of value from an unaffiliated vendor or supplier of services to the Company as consideration for Company business.

**9.3.2 Finders Fees/Sales Commission.** A Director or an affiliate of any Director shall not solicit or accept a finder's fee or sales commission from any person, including the Company, in connection with any Company financing, acquisition, sale or merger.

**9.3.3 Corporate Opportunities.** A Director or an affiliate of any Director shall not (a) take any opportunity that is discovered through the use of Company property, information or position; (b) use Company property, information, or position for personal gain; or (c) compete with the Company. However, membership on Boards of competitors may be waived by the Board (excluding any such Director) in its discretion.

**9.3.4 Policy.** No Director shall have any position with or a substantial financial interest in any other business organization, the existence of which would conflict or might reasonably be expected to conflict with the proper performance of the Director's duties or responsibilities with the Company, or which might tend to affect the Director's independence or judgment with respect to transactions between the Company and such other business organization, without full and complete disclosure to and approval by the Board.

### **9.4 *Assessing the Board and Committees' Performance***

The Board and each of the Committees shall perform annual self-evaluations to determine whether they are functioning effectively. The Nominating/Corporate Governance Committee will develop and conduct the Board evaluation, the results of which are discussed with the full Board, and will ensure that each Committee of the Board conducts its own annual self-evaluation.

### **9.5 Specific Duties and Responsibilities of RLI Corp. Directors**

- 9.5.1 Chairman of the Board.** Upon recommendation of the Nominating/Corporate Governance Committee, elect the Chairman who shall preside at any Director and Shareholder meeting. A Director is eligible for this position.
- 9.5.2 Chief Executive Officer.** Upon recommendation of the Executive Resources Committee, elect the President who is the Chief Executive Officer and delegate management responsibility and authority.
- 9.5.3 Other Officers.** Upon recommendation of the Executive Resources Committee, elect other corporate officers, approve their compensation, and review their performance.
- 9.5.4 Company Board Committees.** Upon recommendation of the Nominating/Corporate Governance Committee, appoint, define the powers of, and dissolve any Board committees.

## **9.6 Board Committees**

- 9.6.1 Committees of the Board.** The Board has established the following Committees to assist the Board in discharging its responsibilities: (i) Audit; (ii) Executive Resources; (iii) Nominating/Corporate Governance; (iv) Finance and Investment; and (v) Strategy. The Board may also establish and maintain other standing and/or ad hoc committees of the Board from time to time as it deems appropriate. Each of the Audit, Executive Resources and Nominating/Corporate Governance Committees shall be comprised solely of Independent Directors. The current Charters of these Committees are published on the Company's website and will be mailed to Shareholders on written request. The Committee Chairs report the highlights of their meetings to the full Board following the meetings of their respective Committees.

The Committees' Charters generally set forth the purposes, goals and responsibilities of the Committees and address qualifications for Committee membership, procedures for Committee member appointment and removal, Committee structure and operations, and Committee reporting to the Board. The Charters also provide that each Committee annually evaluates its performance.

- 9.6.2 Frequency and Length of Committee Meetings** The Committee Chairperson will determine the frequency and length of the meetings of the Committee, in accordance with such Committee's Charter. It is expected the Committee members will attend each scheduled meeting.
- 9.6.3 Committee Agenda** The Chairperson of the Committee, in consultation with the appropriate members of the Committee and management, will

develop the Committee's agenda. Typing and mailing service is available through the Corporate Secretary's office.

**9.6.4 Committee Meetings** Only members of a Committee and persons specifically invited by the Chairperson of a Committee may attend a Committee meeting.

**9.6.5 Committee Chairs:** The Nominating/Corporate Governance Committee shall annually review and periodically rotate Committee chair positions.

**9.6.6 Committee Consultant Engagement:** For any consultant hired by a Committee, the General Counsel shall review the contract from a legal perspective and provide a synopsis of such contract to the Lead Director. The Lead Director will share the details with the Board as appropriate. The General Counsel will provide an annual report in February to the Board regarding Committee consultant engagements.

## **9.7 Director Education**

Directors are to maintain the necessary level of expertise to perform their responsibilities and to help ensure that they remain currently informed on corporate governance, financial and accounting practices, ethical issues for directors and management, industry related topics, and similar matters. The sources through which Directors acquire and maintain this knowledge include webinars, websites, periodicals, newsletters, director education programs, conferences and seminars. Directors are encouraged to attend annually a forum/conference that will contribute to their performance on the RLI Board. The Company will reimburse Directors for the reasonable costs of attending director education programs.

## **9.8 Director Travel**

Due to the varied locations and schedules of the Directors, it is the policy of the Company to encourage each Director to make his or her air and ground transportation arrangements for meetings or events through the office of the Corporate Secretary. In the event of an emergency, the corporate aircraft may be used for transporting Directors. There should be no more than four (4) Directors on the same aircraft.

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