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**RLI Corp.**  
**Corporate Governance Guidelines**  
**Effective: August 29, 2002**  
**Revised: November 11, 2020**

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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.” If the Chairman of the Board also serves as Chief Executive Officer, the Chairman shall be deemed a Management Director. If the Chairman of the Board does not serve in a management role, but remains an employee of the Company, the Chairman shall nonetheless be deemed a Management Director for purposes of 9.2 herein (“Director Compensation”).

#### 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 Chairman of the Board 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 thousand dollars (\$500,000). 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 Chief Executive Officer; elect the President, who may also be 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** Non-committee members are permitted to attend and participate in discussions, but not vote.



**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**

Directors are encouraged to make his or her air and ground transportation arrangements for meetings or events through the office of the Corporate Secretary. If a Director makes his or her own transportation arrangements, he or she should immediately contact the office of the Corporate Secretary with the travel details. The corporate aircraft may be used for transporting Directors to/from Board meetings. To ensure compliance with the New York Stock Exchange rules, Independent Directors, exclusive of three (3), are allowed to travel on the same aircraft.

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## Appendix A

### **RLI Statement of Policy with respect to Related Party Transactions**

#### **A. Introduction**

The RLI Corp. ("Company") Board of Directors of RLI Corp. ("Company") recognizes that related party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore has adopted this policy which shall be followed in connection with all Related Party Transactions involving the Company.

Under this policy, any "Related Party Transaction" shall be consummated or shall continue only if:

1. the Nominating/Corporate Governance Committee shall approve or ratify such transaction in accordance with the guidelines set forth in this Policy, consulting with other appropriate Committees as necessary, which approval shall include a determination that the transaction is on terms reasonably comparable to those that could be obtained in arm's length dealings with an unrelated third party; and
2. the transaction is approved by the disinterested members of the Board of Directors.

For these purposes, a "Related Party" is:

1. a senior officer (which shall include at a minimum each Vice President and Section 16 reporting officer) or member of the Board of Directors of the Company;
2. a shareholder owning in excess of five percent (5%) of the Company (or its controlled affiliates);
3. a person who is an immediate family member of a senior officer or director; or
4. an entity which is owned or controlled by someone listed in 1 or 2 above, or an entity in which someone listed in 1 or 2 above has a substantial ownership interest or control of such entity.

For these purposes, a "Related Party Transaction" is a transaction between the Company and any Related Party (including any transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934), other than:

1. transactions available to all employees generally; or
2. transactions involving less than \$10,000 when aggregated with all similar transactions.

## **B. Nominating/Corporate Governance Approval**

The Board of Directors has determined that the Nominating/Corporate Governance Committee of the Board is best suited to review and approve Related Party Transactions. Accordingly, at the regularly scheduled quarterly meeting of the Nominating/Corporate Governance Committee immediately prior to the initial effective date or renewal term of a Related Party Transaction, management shall submit for review such Related Party Transaction, including the proposed aggregate value of such transaction, if applicable, and all other relevant information. After review, the Committee shall approve or disapprove such transactions and at each subsequently scheduled meeting, management shall update the Committee as to any material change to those proposed transactions.

## **D. Corporate Opportunity**

The Board recognizes that situations exist where a significant opportunity may be presented to management or a member of the Board of Directors that may equally be available to the Company, either directly or via referral. Before such opportunity may be consummated by a Related Party (other than an otherwise unaffiliated 5% shareholder), such opportunity shall be presented to the Board of Directors of the Company for consideration, or is otherwise consistent with the Company's Code of Conduct and Compliance Manual.

## **E. Disclosure**

All Related Party Transactions are to be disclosed in the Company's applicable filings to the extent required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules. Furthermore, all Related Party Transactions shall be disclosed to the Nominating/Corporate Governance Committee and the full Board of Directors.

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**Executive Summary  
of Independence Standards for Directors**

To be considered independent under the New York Stock Exchange Corporate Governance Rules, the RLI Board must affirmatively determine that a Director or Director Nominee has no material relationship with RLI. The basis for a board determination that a relationship is not material must be disclosed in RLI's proxy statement. The board may adopt and disclose categorical standards to assist it in making determinations of independence. The board may then make the general statement in the RLI proxy statement that the independent directors meet the standards set by the board without detailing particular aspects of the immaterial relationships between individual directors and RLI.

The independence standards set forth categorical standards to assist the board in determining director independence. Clause (a) identifies those relationships set forth in the NYSE Corporate Governance Rules that will automatically cause a director to not be deemed independent. Clause (b) sets forth certain relationships adopted by the RLI board that will not be considered to be material relationships that would impair a director's independence. Accordingly, if a director has any of the relationships identified in clause (b), he or she may nevertheless be considered independent. Clause (c) provides that for relationships not covered by Clause (b), the determination of whether the relationship is material, and therefore whether the director would be independent, will be made by the independent directors of RLI and disclosed in RLI's proxy statement.

**RLI CORP.**  
**INDEPENDENCE STANDARDS FOR DIRECTORS**

To be considered independent under the New York Stock Exchange (“NYSE”) Corporate Governance Rules, the RLI Board must affirmatively determine that a Director or Director Nominee (collectively referred to as “Director”) has no material relationship with RLI (either directly or as a partner, shareholder or officer of an organization that has a relationship with RLI).

The Board will examine the independence of each of its members once per year, and again if a member’s outside affiliations change substantially during the year.

For purposes of these guidelines, “immediate family member” includes the Director’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home. “Executive officer” is defined to mean a company’s president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), vice president in charge of a principal business unit, division or function (such as sales, administration or finance) or any other officer or person who performs a policymaking function for such company. “Holder of an equity interest of a company” is defined to mean a holder of (i) a share in a corporation, (ii) a limited partnership interest in a limited partnership or limited liability partnership, (iii) a membership interest in a limited liability company or (iv) any other equity security (as defined under the Securities Exchange Act of 1934), as amended.

The Board has established the following categorical standards to assist it in determining Director independence:

- (a) A Director will not be independent if:
- (i) the Director is, or has been within the last three years, an employee of RLI, or an immediate family member of the Director is, or has been within the last three years, an executive officer of RLI;
  - (ii) the Director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from RLI, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
  - (iii) (A) The Director is a current partner or employee of a firm that is RLI’s internal or external auditor; (B) the Director has an immediate family member who is a current partner of such firm; (C) the Director has an immediate family member who is a current employee of such firm and personally works on RLI’s audit; or (D) the Director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on RLI’s audit within that time.
  - (iv) the Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of RLI’s present executive officers at the same time serves or served on that company’s compensation committee; or

- (v) the Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, RLI for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
- (b) The following commercial and charitable relationships will not be considered to be material relationships that would impair a Director's independence: (i) if a Director, or an immediate family member of the Director, is an executive officer, director, employee or holder of an equity interest of a company that has made payments to, or received payments from, RLI for property or services in an amount which, in the last fiscal year, do not exceed the greater of \$1 million, or 2% of such other company's consolidated gross revenues; (ii) if a Director, or an immediate family member of the Director, is an executive officer, director, employee or holder of an equity interest of a company that is indebted to RLI, or to which RLI is indebted, and the total amount of either company's indebtedness to the other does not exceed the greater of \$1 million, or 2% of such other company's total consolidated assets; (iii) if a Director, or an immediate family member of the Director, is an executive officer, director, or employee of a company in which RLI owns an equity interest, and the amount of RLI's equity interest in such other company does not exceed the greater of \$1 million, or 2% of such other company's total shareholders equity; (iv) if a Director, or an immediate family member of the Director, is a holder of an equity interest of a company of which a class of equity security is registered under the Securities Exchange Act of 1934, as amended, and in which RLI owns an equity interest; (v) if a Director, or an immediate family member of the Director, is an executive officer, director, employee or holder of an equity interest of a company that owns an equity interest in RLI; and (vi) if a Director, or an immediate family member of the Director, serves as an officer, director or trustee of a tax exempt organization, and the contributions from RLI to such tax exempt organization in the last fiscal year do not exceed the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues. (RLI's automatic matching of employee charitable contributions will not be included in the amount of RLI's contributions for this purpose.)
- (c) For relationships not covered by the standards in subsection (b) above, the determination of whether the relationship is material or not, and therefore whether the Director would be independent or not, shall be made by the Directors who satisfy the independence standards set forth in subsections (a) and (b) above. RLI is required to explain in its proxy statement the basis for any Board determination that a relationship was immaterial, despite the fact that it did not meet the categorical standards of immateriality set forth in subsection (b) above.

In addition, members of certain Board Committees are subject to heightened standards of independence under various rules and regulations.