

**[This document appears on the RLI Corp. website]**

## **RLI CORP. CODE OF CONDUCT**

### **To the Directors, Officers and Employees of RLI Corp.**

The success of RLI depends on consistent ethical performance. This tenet must be implicitly understood by our business partners, as well as our employees, officers and Directors. It is valuable, then, to formalize RLI's standards in this official Code of Conduct.

Apply these principles faithfully and evenly. Understand that compromising them will jeopardize RLI's vitality and potential -- and therefore your own. As you interact with fellow associates, customers and vendors, you are defining the character and values of your company. Let these principles guide you in your daily work activity.

There are those in our industry whose actions have engendered public suspicion and mistrust of insurance companies. We must clearly distance ourselves from them. Ethics is not just RLI's legacy, but our competitive advantage. Those who engage in unscrupulous practices have and will continue to fail. RLI will prosper.

The Code is being distributed to all RLI directors, officers and employees. If you see noncompliance, report it to your supervisor or to the Law department. I give my personal assurance that no employee will suffer reprisal for defending the Code of Conduct.

The Code does not constitute a contract of employment. None of its policy statements impairs the rights of employees to terminate the employment relationship.

I welcome your comments on this document. As owner/employees, we all share the opportunity and duty of making this proclamation an accurate statement of our commitment to ethical behavior.

Sincerely,

Jonathan E. Michael  
President & CEO  
RLI Corp.

## **Our Commitment**

Our Code of Conduct applies to each director, officer and employee of RLI to ensure that we conduct our business for the benefit of all of our stakeholders -- that is, our customers, shareholders, suppliers, fellow employees, and the communities in which we work and live.

We are a company committed to honesty and fair dealing. Our obligation to operate within the law is just the beginning of our ethical commitment.

This Code of Conduct is designed to guide us in our behavior so that our ethical standards are maintained. There may be situations which require that we deviate from these guidelines, but the Code of Conduct underscores the basic principles which should guide all our activities: good judgment, personal honesty and sound business ethics. Any waiver of these guidelines must be approved by the Board of Directors and must be promptly disclosed to shareholders.

No one will suffer any adverse effects to their job or career as a result of raising an ethical concern. Likewise, no employee ever helps the Company by acting unethically.

Our success rests with each individual knowing, understanding and practicing our Code of Conduct on a daily basis. If there is any question regarding the Code, the laws, regulations or policies affecting the Company, please consult an officer or manager.

## **Our Ethical Principles**

*We deal fairly and honestly with every person and entity we come in contact with in our business activities.*

*We treat everyone with dignity and respect.*

*We will not pursue any business opportunity which requires violation of the law.*

*We will exercise good judgment, so that our actions are perceived as ethical, adhering to both the spirit and the letter of the law.*

## **Conflict of Interest**

Each individual at RLI has a duty of loyalty to the Company and must act at all times in its best interests. No conflict should exist between personal affairs and duties or roles at work. This includes potential conflicts arising from activities of family members. Those activities, or activities which create the appearance of conflict or impropriety must be disclosed to the Company. Some specific areas where conflicts may exist include:

### Gifts, Entertainment, Favors or Loans

No director, officer or employee or member of such individual's family should accept any gift, entertainment or favor from any person or organization which sells any goods to or provides any

services to the Company which exceeds common courtesies generally associated with accepted business practice. If any acceptance of any such gift, entertainment or favor either obligates the Company to do business with the donor, or would cause embarrassment to the Company if publicly disclosed, the gift should be rejected or declined.

Acceptance of cash or cash equivalents, (gift certificates, credits, securities, etc.) of any amount is prohibited. If a Director, officer or employee is offered a gift, the value of which such individual should reasonably believe to exceed \$300.00, advance approval for acceptance must be obtained from any of the Chief Executive Officer, Chief Financial Officer or General Counsel. In some international business transactions, it is customary and lawful for a business in a host country to give gifts beyond a nominal value. If declining or offering to pay for the gift would be considered an insult to the giver, the gift must be reported to the Chief Executive Officer or Chief Financial Officer or General Counsel. In some cases, the gift may be retained by the Company.

Directors, officers and employees may accept invitations to lunch, dinner or other social and sporting events if the purpose of which is to foster better business relationships. No one may accept tickets or invitations to entertainment when the prospective host will not be present at the event.

Gifts, entertainment or favors may be provided to business partners at the Company's expense if they are consistent with accepted business practices, are limited in value and given in accordance with ethical standards. Gifts to government personnel are prohibited. All political contributions made on behalf of the Company must be made in compliance with all applicable laws and approved by the Chief Executive Officer, Chief Financial Officer or General Counsel. Gifts between employees of the Company should be limited in value and not imply an obligation with respect to any aspect of employment.

Except with respect to bridge loans as set forth by the Human Resources and Law Departments, no loans to, or guarantees of obligations of a Director, officer, employee or a member of such individual's family, as allowed by law, shall be made by the Company if such action would create an appearance of a conflict or impropriety.

#### Outside Business Activities and Investments

Although RLI does not seek to regulate the personal lives of its Directors, officers or employees, it cannot condone activities which interfere with the performance of RLI duties, create a conflict of interest or unfair business advantage, or reflect on the Company in a way which would cause embarrassment or criticism. Likewise, financial interests in other businesses which have a business relationship with RLI must be disclosed, e.g., the ownership of stock in a company, other than ownership of a nominal amount of stock in a publicly owned entity

#### Community Involvement, Political Activities, Contributions

RLI encourages its Directors, officers and employees to participate in community activities and support our system of government. Good judgment must be exercised to abstain from

involvement in activities which would present a conflict of interest or interfere with responsibilities to RLI. RLI does not make contributions to political parties or candidates. Any exception to this rule must be approved by the Board of Directors.

## **Standards on the Job**

In keeping with our commitment to the customer, to quality and to recognition, we must first recognize and respect each individual we work with at RLI. RLI recognizes that employers and employees have expectations of each other.

### Employees can expect from RLI:

- \* Employees and applicants will be evaluated on a non-discriminatory basis
- \* Work direction will be clearly communicated and opinions of employees will be given due consideration
- \* An "open door" policy will be maintained so that employees may express their views without fear of reprisal
- \* Private information maintained in Company files will remain confidential, unless disclosure is required
- \* Sexual harassment and other forms of discrimination on the job will not be condoned

### RLI expects from its employees:

- \* Employees will treat others with respect and will refrain from disparaging remarks or conduct
- \* Employees will comply with this Code of Conduct, and with all laws affecting their employment
- \* Employees will assist the Company in carrying out these expectations by reporting any problems and asking questions when concerns arise
- \* Employees will protect proprietary and confidential information of the Company and shall not divulge such information regardless of whether or not disclosure is done for personal gain, or whether or not disclosure was intended to harm the Company

### Compliance

We will always comply with the spirit and letter of all laws affecting the Company's operations. Federal laws prohibit the use of "insider trading" for buying or selling stock. The utmost care must be exercised to avoid intentional or inadvertent disclosure of all confidential information. Federal laws prohibit discrimination in the workplace. RLI will not tolerate any act of discrimination against an employee or customer.

We will submit full, fair, accurate, timely and understandable disclosure in reports and documents we file with the Securities and Exchange Commission and in other public communications filed by us.

The Company's facilities, materials, equipment and information must be used only for conducting the Company's business or for purposes authorized by management. As such, products, ideas or inventions developed through the course of employment are and remain the property of the Company. The rights to any computer programs developed by RLI are held exclusively by the Company. Likewise, no copy of any software licensed to RLI by another entity may be copied.

### **Enforcement of the Code**

Each Director, officer and employee shall receive a copy of the Code of Conduct and shall annually certify to the Company that such individual has read, understands and has complied with such Code of Conduct. Any question may be directed to management. Any intentional violation will result in disciplinary action.

The Code of Conduct cannot -- nor is it designed to -- address every specific circumstance regarding the activity and behavior of Directors, officers and employees. It is to be used as a guide to exercising good business judgment and ethical behavior.