

**RLI Corp.**  
**Audit Committee Charter**  
**(Effective May 3, 2018)**

**Organization**

The Board of Directors (“Board”) of RLI Corp. (“Company”) has established the Audit Committee (“Committee”) with authority, responsibility and specific duties as described in this charter (“Charter”).

**Composition**

The Committee shall be comprised of at least three members, each of whom shall satisfy the independence and financial literacy requirements applicable to directors and audit committee members under the New York Stock Exchange (“NYSE”) listing standards and other applicable laws and regulations, and each of whom shall meet the independence standards set forth in the Company’s Corporate Governance Guidelines. At least one Committee member shall be an “audit committee financial expert” as that term is defined by the Securities and Exchange Commission (“SEC”).

Committee members shall be recommended by the Nominating/Corporate Governance Committee and appointed by the Board. They may be removed from the Committee at any time, with or without cause, by the Board. The Board shall approve one member of the Committee to serve as its chairperson.

No member of the Committee may simultaneously serve on the audit committee of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. In fulfilling its responsibilities, the Committee is entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

**Purpose**

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the quality and integrity of the Company’s financial statements; (ii) the adequacy and effectiveness of the Company’s internal control over financial reporting; (iii) the Company’s compliance with legal and regulatory requirements; (iv) the independent auditor’s qualifications, independence and performance; and (v) the performance of the Company’s internal audit function. In so doing, it is the responsibility of the Committee to maintain free and open means of communication between the Board of Directors, the independent auditor, internal audit and the Company’s management. The Committee shall also prepare the report of the Committee required to be included in the Company’s annual report or proxy statement relating to the election of directors.

The Committee shall also constitute the Audit Committee for the Company’s Illinois insurance company subsidiaries (RLI Insurance Company, Mt. Hawley Insurance Company and Contractors Bonding and Insurance Company, collectively “Insurance Companies”) to the extent required and for purposes of

compliance with Title 50, Part 925 of the Illinois Administrative Code, as amended, (“Audit Rule”). References in the Charter to “Company” shall be deemed to also include the Insurance Companies to the extent required for compliance with the Audit Rule.

While the Committee has the functions set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements and disclosures complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. The responsibility to plan and conduct audits is that of the independent auditor. The Company’s management has the responsibility to prepare the Company’s financial statements and determine that such financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles.

### **External Advisors**

The Committee shall have the sole authority to obtain, at the Company’s expense but at funding levels determined by the Committee, advice and assistance from outside legal, accounting or other advisors to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall also have authority to obtain advice and assistance from any officer or employee of the Company and to require any officer or employee of the Company or the Company’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have full, unrestricted access to Company records.

### **Meetings**

The Committee shall meet at least four times annually and hold additional meetings as deemed necessary by the Committee or as requested by any two of its members. Members of management, internal audit, the independent auditor or others may attend the meetings at the request of the Committee. The Committee shall meet periodically with individual members of management, internal audit and the independent auditor in separate executive sessions. The agenda for each meeting shall be developed jointly between the Committee and management.

### **Duties and Responsibilities**

The duties of the Committee include, but are not limited to, the following:

#### ***Financial Statements and Disclosure***

1. Review and discuss with management and the independent auditor the annual audited and quarterly unaudited financial statements, including footnote disclosures and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” prior to filing the applicable Form 10-K and Form 10-Q.
2. Discuss the Company’s earnings releases, the type and presentation of information in such earnings releases (including any non-GAAP measures), and financial information provided to analysts and rating agencies.

3. Review with the Company's management, internal audit and independent auditor: (i) major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; (ii) analyses prepared by management, the independent auditor, or internal audit setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements; and (iii) the effect of regulatory and accounting developments as well as off-balance sheet structures on the financial statements.
4. Review any other reports to management prepared by the Company's independent auditor or internal audit and any responses to the same by management.
5. Discuss with the independent auditor such auditor's judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting.
6. Discuss with management, internal audit and the independent auditor the critical accounting policies and significant accounting estimates included in the Company's financial statements.
7. Review and discuss disclosures made by the CEO and CFO as part of the certification process for the Company's Form 10-K and Form 10-Q regarding any significant deficiencies or material weaknesses in the design or operational effectiveness of internal control over financial reporting, including any significant deficiencies and/or material weaknesses identified by management and changes to internal controls. Also, discuss any fraud involving management or other employees who have a significant role in the Company's internal control procedures, and any significant cybersecurity events.
8. Recommend to the Board based on the review and discussion described above, whether the financial statements should be included in the Company's Annual Report on Form 10K.

***Independent Auditor***

9. Oversee the Company's independent auditor and have the sole authority to appoint, compensate, retain and terminate the Company's independent auditor.
10. Review and evaluate at least annually, the qualifications, independence and performance of the independent auditor.
11. Review the scope of the independent auditor's annual audit plan. This review should include a discussion of the factors considered in determining the audit scope, including key risk factors.
12. At the conclusion of the annual audit, (i) review the results of the audit of the financial statements and internal control over financial reporting and the auditor's report thereon; (ii) review significant changes to the audit plan, if any; (iii) discuss any difficulties encountered during the audit; and (iv) discuss management's response to such issues and the level of

cooperation received from management. Inquire as to whether there were any disagreements between the independent auditor and management, which were not resolved to the auditor's satisfaction.

13. Review and discuss with the independent auditor the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") regarding communications with audit committees.
14. Inquire as to the independence of the independent auditor and obtain from the independent auditor, at least annually, a formal written explanation delineating all relationships between the independent auditor and the Company in accordance with applicable requirements of the PCAOB.
15. Obtain and review a report from the independent auditor, at least annually, describing (i) the Firm's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review of the firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues; and (iii) inquire of firm management any quality control matters directly related to the Company's audit engagement personnel.
16. Establish a process for the rotation of the independent auditor's lead engagement partner and other significant supporting partners.
17. Periodically review and approve the Company's hiring policies for employees or former employees of the independent auditor.
18. Pre-approve all audit services and permitted non-audit services to be performed by the independent auditor. The Committee may delegate authority for pre-approval to one or more members of the Committee provided any decision to grant pre-approval is presented to the full Committee at the next scheduled meeting.

### ***Internal Audit***

The Committee shall annually or more frequently as deemed necessary, provide the following oversight of internal audit:

19. Review the internal audit charter.
20. Review and approve the internal audit plan, budget and staffing, and approve any interim revisions thereto.
21. Review material observations arising from internal audit's work and management's response thereto.

22. Perform an evaluation of the internal audit function, including an evaluation of the performance of the Vice President, Internal Audit Services. Review and provide input on management's recommendation of annual compensation for the Vice President, Internal Audit Services.

23. Review and approve the appointment or dismissal of the Vice President, Internal Audit Services.

***Compliance Oversight***

24. Review with management, internal audit and the independent auditor, the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by employees that may have a material impact on the financial statements.

25. Discuss with management any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the Company's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies.

26. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal control over financial reporting or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company concerning questionable accounting or auditing matters.

27. Review policies and procedures with respect to risk assessment and risk management, including cybersecurity risks.

***Other Responsibilities***

28. Prepare the report of the Committee required to be included in the Company's annual report or proxy statement relating to the election of directors.

29. Meet periodically in separate executive sessions with the Vice President, Internal Audit Services; the Chief Financial Officer; the Chief Legal Officer; and the lead audit partner of the independent auditor and, when necessary and appropriate, with management and as a Committee to discuss any matters that the Committee or any of these persons believe should be discussed.

30. Review and assess the adequacy of this Charter annually and recommend any changes to the Board.

31. Conduct an annual assessment of the Committee's performance and prepare a report for the Board.

32. Report regularly to the Board, and make such recommendations as the Committee may deem necessary or appropriate.

33. Maintain minutes and other relevant documentation of all Committee meetings held.
34. Perform such other duties and responsibilities, consistent with this Charter, the Company's bylaws, governing law, the rules and regulations of the NYSE, the federal securities laws and such other requirements applicable to the Company, delegated to the Committee by the Board.