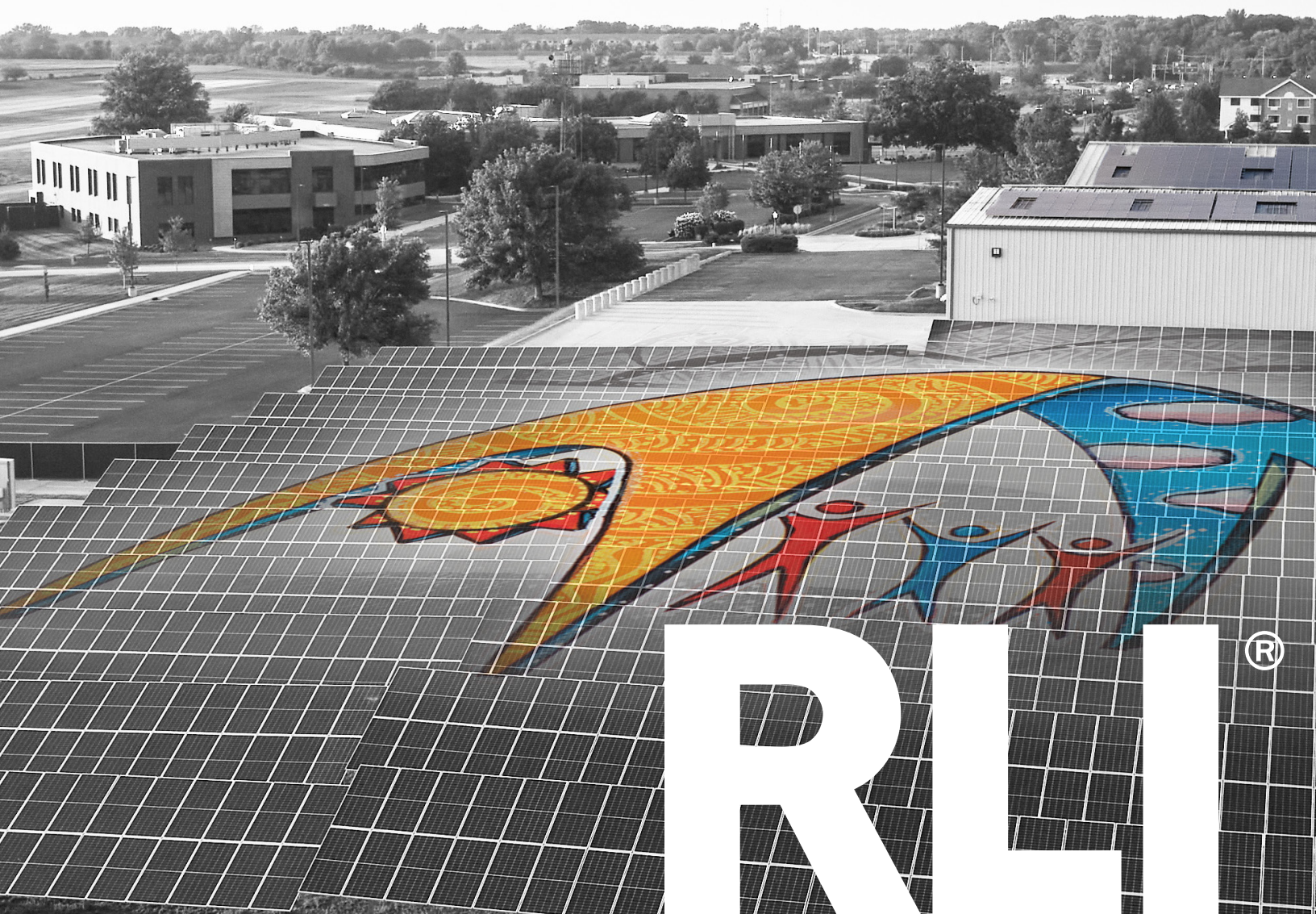


2022

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021



RI[®]

INTRODUCTION

RLI Corp., ("RLI" or the "Company"), through its major subsidiaries RLI Insurance Company, Mt. Hawley Insurance Company and CBIC (the subsidiaries collectively "RLI Group"), is a domestic specialty insurance company that underwrites diverse property, casualty and surety products. With significant product diversity comes varied underwriting exposures influenced by many risk factors, including environmental changes.

Underwriting requires considering the potential for unexpected and unknown outcomes, and we exist to protect our customers from life's uncertainties by providing risk transfer products. We maintain an investment portfolio that serves as the primary resource for loss payments and a source of income to support our operations. Thoughtful risk management in our underwriting and investment management supports the long-term resiliency of our business and ensures we are always able to make good on our commitments to policyholders.

Select products underwritten by RLI provide protection to our policyholders through insurance coverage for natural disasters. Disasters may take the form of weather-related catastrophes including meteorological events such as hurricanes, severe convective storms and winter weather; and climatological events such as drought, wildfires and heat waves. In this report, the term "catastrophe" refers to weather-related events. Climate change is a complex and evolving issue. Over the long term, it may cause an increase in the severity and frequency of catastrophes and associated losses for our policyholders.

We recognize that climate change has the potential to require new assessments of risk, and we are committed to evaluating the effects of climate change and what a low-carbon economy may look like in the future. This report discusses how the Company evaluates climate-related risks and opportunities, in a manner consistent with the recommendations of the Task Force on Climate-related Financial Disclosures.¹

RLI has demonstrated its commitment to a future supported by renewable energy through its \$5 million investment in a 1.8-megawatt solar field on our corporate headquarters campus in Peoria, Illinois. Located on six and a half acres, the 4,752-panel solar field is capable of producing annual electrical power equal to or exceeding the yearly electrical needs for all our office buildings in Peoria, which accommodate more than 40% of our workforce.

While we are doing our part to support the global transition to more sustainable energy sources, we believe this process will be complex and occur over a longer time horizon. Current energy needs cannot be met solely through green technologies and many individuals and businesses, including those who are the most economically vulnerable, cannot simply stop using fossil fuels. By providing insurance products to the energy market, our responsible underwriting and sound risk management practices serve to support a reliable and secure energy supply, while enabling a transition to more sustainable energy sources over time.

¹The inclusion of information in the report should not be construed as a characterization regarding the probability, materiality or financial impact of that information. For a discussion of information that is material to RLI, please see our Annual Report on Form 10-K.

GOVERNANCE

RLI CORP. BOARD OVERSIGHT

The RLI Corp. Board of Directors provides oversight for climate-related risks and opportunities through several of its Board committees:

NOMINATING & CORPORATE GOVERNANCE COMMITTEE

The Nominating & Corporate Governance Committee provides oversight of the Company's sustainability governance framework related to environmental, health and safety, corporate social responsibility, corporate governance, sustainability, and other public policy (collectively environmental, social, and governance, or "ESG") matters relevant to the Company. It also provides oversight of Company enterprise risk management of ESG matters, in coordination with other Board committees.

AUDIT COMMITTEE

The Audit Committee provides oversight of Company enterprise risk management with respect to catastrophe exposure management and reinsurance.

STRATEGY & RISK COMMITTEE

The Strategy & Risk Committee provides oversight of the Company's overall enterprise risk management program. The Strategy & Risk Committee also advises the Board on its review and assessment of the effect of external developments and factors, such as climate change, on the Company's strategy and execution

FINANCE & INVESTMENT COMMITTEE

The Finance & Investment Committee provides oversight of the Company's capital management, investment performance, and investment policies and guidelines, including the Company's Investment Policy Statement, which provides portfolio objectives, constraints, compliance requirements and governance controls.

The RLI Corp. Board Committees are available at rlicorp.com/corporate-governance.

RLI CORP. COMMITTEES WITH OVERSIGHT FOR CLIMATE RISK

Nominating
& Corporate
Governance
Committee

Audit
Committee

Strategy & Risk
Committee

Finance &
Investment
Committee

RLI GROUP MANAGEMENT OVERSIGHT

RLI GROUP ESG STEERING COMMITTEE

The ESG Steering Committee is responsible for providing thought leadership and coordination across the Company for topics such as climate change, ESG integration in underwriting and investments, Company energy consumption and environmental footprint, regulatory changes on ESG issues, and related internal and external communications and disclosures on these and other ESG topics. The Committee is chaired by the Chief Legal Officer and comprised of members of senior management in the areas of underwriting, operations, risk management, finance, investments, human resources, legal and communications. The Committee regularly reports to the CEO and provides a quarterly update to the RLI Corp. Nominating & Corporate Governance Committee.

RLI GROUP RISK COMMITTEE

Management oversight of climate-related risks is provided primarily through the Company’s enterprise risk management program through a Risk Committee, which is chaired by the CEO and comprised of members of senior executive management. Among its responsibilities, the Risk Committee identifies the Company’s significant risks (Risk Focus Areas) and reviews the strategies, processes and controls in place to facilitate the understanding, identification, measurement, reporting and mitigation of each Risk Focus Area.

Particular Risk Focus Areas that address climate-related risks include:

Catastrophe Risk:	Focusing on weather-related and other catastrophes
Investments and Credit Risk:	Focusing on capital management and investment policies and guidelines
Insurance Market Risk:	Focusing on external trends, including transition risks related to climate change
Reinsurance Risk:	Focusing on alignment between catastrophe risk appetite and reinsurance levels, and the creditworthiness of reinsurers

RLI GROUP CATASTROPHE COMMITTEE

The Catastrophe Committee is a subcommittee of the Risk Committee and is responsible for assessing the Catastrophe Risk Focus Area. The committee is comprised of members of senior executive management, product group leadership, and actuarial and other subject matter experts. The Catastrophe Committee’s responsibilities include setting catastrophe exposure risk tolerances, managing geographic aggregation risk, recommending pricing strategies, analyzing third-party catastrophe models, and developing and monitoring internal scenario-based metrics.

RLI GROUP FINANCE AND INVESTMENT COMMITTEE

The RLI Group Finance and Investment Committee, which is chaired by the CEO and comprised of members of senior management, is responsible for the management and performance of the Company’s investment portfolio in accordance with the Company’s Investment Policy Statement. This committee is also responsible for the selection, retention and management of outside investment managers. The respective RLI Corp. and RLI Group Finance & Investment Committees meet on a quarterly basis to review performance, strategy, compliance and policy considerations related to the Company’s investment portfolio.

RLI GROUP REINSURANCE COMMITTEE

The RLI Group Reinsurance Committee, which is comprised of the CEO, COO, CFO and other subject matter experts, reviews and approves all reinsurance placements.



STRATEGY

UNDERWRITING

RLI's mission is to provide industry-leading specialty risk management solutions that are convenient, tailored and fill unmet customer needs. Our customers may face physical, transition and liability risks related to the possible effects of climate change, which could be mitigated through an insurance solution. Providing insurance for current and future climate-related risks is an opportunity for RLI to continue delivering on its mission. The primary risk to RLI from the effects of climate change is that losses from weather-related events may be more unpredictable or have a higher frequency or intensity in the future.

Policyholders face the risk of financial loss from the physical impacts of weather-related events, and the insurance industry plays a critical role in helping its policyholders recover from these types of losses. RLI has provided property insurance coverages in catastrophe-prone areas for more than thirty years. Climate change may impact climate-related losses due to changes in the predictability, frequency or severity of catastrophes. Climate change may also cause demographic shifts or other changes as our country transitions to renewable energy sources that could reduce customer demand or our willingness to provide coverage. These shifts may impact our ability to generate underwriting profits.

IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON BUSINESS STRATEGY

Catastrophe-exposed property coverages can present a significant accumulation exposure for insurance companies. RLI manages property exposures as a component of its diverse portfolio of specialty products. Through its risk management framework and reinsurance support, RLI strives to provide this coverage for customers while also attempting to mitigate the potential downside risk to the company.

We expect potential changes in property catastrophe risk from the effects of climate change will manifest gradually over time. The property coverage RLI provides is generally non-admitted and provided on a twelve-month basis. Non-admitted coverage generally is subject to a greater degree of flexibility in the coverage, rates and renewal requirements than offered for admitted coverage. RLI estimates potential losses and prices for the exposure expected throughout the policy's duration. The short duration of our liabilities allows us to adjust product offerings in response to changing environmental conditions.

RLI provides insurance policies and surety bonds to the energy industry. As the economy transitions to having less reliance on carbon-based energy and industries and processes that

emit high levels of greenhouse gasses, the composition of the economy and opportunities to provide insurance products will inevitably change. RLI also provides insurance to customers in several industries that are supporting the economy's transition, including: renewable energy facilities and supporting infrastructure; recycling facilities; mass transit systems; architects and engineers designing more environmentally-friendly buildings; and environmental contractors performing remediation and consultant services. A transition from combustion to electric cars will create additional opportunities to provide insurance solutions to customers. RLI also continues to provide management liability products to companies as they navigate changing societal expectations for corporate boards.

RLI will continue to provide insurance products to traditional and emerging renewable energy markets as we transition to greener energy sources. We believe that our responsible underwriting and sound risk management practices serve to enhance the resilience and financial responsibility of operators in the energy industry, which in turn supports energy security as this transition occurs.

INVESTMENTS

We believe we have an obligation to our policyholders, employees, communities and investors to invest responsibly and ensure we are in a position to fulfill our commitments. We recognize that many factors can impact a business, and consider the sustainability of an issuer to be an important characteristic for investment selection. Climate change and its impact requires yet another viability lens as we evaluate current or potential exposures. Our investment policies, which are approved by the RLI Corp. and RLI Group Finance and Investment Committees, require both internal and external portfolio managers to consider ESG factors, including the physical and transition risks associated with climate, in the investment selection process.

Third-party tools allow us to monitor purchase activity and ongoing exposure, and identify climate-sensitive sectors in internal reporting. We have a growing portfolio of green bonds and continue to engage in investment opportunities in alternative energy or other transition beneficiaries.

Standing behind our strategic commitment to sustainable investing are our investment management partners for our externally managed fixed income portfolio, all of whom are United Nations Principles for Responsible Investment (UN PRI) signatories. All managers received an 'A+' score from the UN PRI for their approach to ESG Strategy and Governance. UN PRI signatories are committed to incorporating ESG issues into their investment analysis, decision-making, policies and practices. Additionally, over 72 percent of our equity portfolio is managed by UN PRI signatory firms.



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RISK MANAGEMENT

UNDERWRITING

RLI believes insurance can be a valuable loss transfer mechanism for climate-related risks if the expected losses can be priced appropriately and understood. The Company manages exposure to catastrophe events as one component of its diversified portfolio of insurance risks.

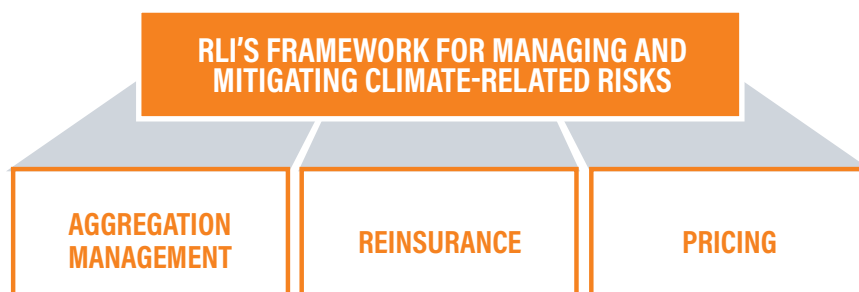
As described in the Governance section, climate-related risks are managed through the group enterprise risk management program, which is ultimately overseen by the RLI Corp. Strategy & Risk Committee. The RLI Group's Risk Committee is responsible for identifying, assessing and managing all existing and emerging risks. Catastrophe risk, which includes both near-term impact of climate-related and other accumulation risks, as well as the longer-term potential impact of climate change, is a focus area managed by the Catastrophe Committee, which is a subcommittee of the Risk Committee. This group is comprised of internal subject matter experts and members of the product and functional leadership teams.

Through its risk management program, the Company has developed a comprehensive framework to manage and mitigate climate-related risks arising from weather-related catastrophes through aggregation management, reinsurance and pricing.

Aggregation management

As outlined in the Governance section, the Company's Catastrophe Committee is responsible for establishing risk tolerance for catastrophe metrics. While the amount of deployed capacity may vary by geographic region based on market conditions, the portfolio is managed to protect the Company's financial strength ratings and solvency. Compliance of the portfolio relative to the established geographic aggregation tolerances is monitored regularly.

The Company uses third-party model-based metrics to manage the accumulation of catastrophe risk to acceptable levels. Catastrophe modeling is inherently uncertain due to the model's reliance on an infrequent observation of actual historical events and exposure data. Given the uncertainty of modeled outcome, the Company also relies on internally developed loss scenario-based metrics as an additional tool to limit accumulations within defined tolerance levels.



Reinsurance

The Company purchases reinsurance to limit the financial impact of a catastrophe event. When developing risk tolerances and designing reinsurance strategy, the Company considers multiple third-party catastrophe models and, within each model, multiple views of risk conditioned on different climatological expectations. The RLI Group Reinsurance Committee considers this and other factors when determining reinsurance levels.

It is worth noting that although reinsurance makes the reinsurer liable to the Company to the extent the risk is transferred or ceded to the reinsurer, it does not relieve RLI of its liability to its policyholders. The Company bears credit risk with respect to our reinsurers, and our reinsurers may not pay claims made by the Company on a timely basis, or they may not pay some or all of these claims for a variety of reasons. Either of these events would increase our costs and could have a materially adverse effect on our business. In addition, increased losses from weather-related catastrophes may make it more difficult to obtain reinsurance at the desired levels, or more expensive to acquire reinsurance coverage, which could reduce the amount of business we write and the revenues we generate.

In order to mitigate the risk inherent in reinsurance, the Company strives to purchase reinsurance from financially strong reinsurance. We evaluate reinsurers' ability to pay based on their financial results, level of surplus, financial strength ratings and other risk characteristics. The RLI Group Reinsurance Committee reviews and approves the Company's reinsurer security guidelines and reinsurer usage. As of December 31, 2021, more than 89% of our reinsurance recoverables were due from companies with financial strength ratings of A or better by AM Best and Standard & Poor's rating services.

On January 1, 2022, we purchased reinsurance coverage for weather-related catastrophes with a limit of \$475 million per occurrence, with a \$25 million retention. On May 1, 2022 we purchased \$150 million of additional catastrophe reinsurance protection, for a limit of \$625 million for weather-related catastrophes. The additional reinsurance was obtained to support growth in the Company's catastrophe-exposed property insurance business. RLI retains a percentage of the \$625 million limit through co-participation. Our co-participation varies from year to year.



Pricing

The Company's pricing approach for catastrophe exposures incorporates all costs associated with the transfer of risk. Since the vast majority of our policies renew on an annual basis, we are able to quickly respond to changes in exposure related to these risks, and amend our terms, conditions and policy premiums if needed when policies renew.

INVESTMENTS

RLI has strong governance and risk management codified in its Investment Policy Statement. The goal is to ensure the portfolio can maintain sustainable support for our insurance operations. As a long-term investor, we realize these policies need to evolve, and recently added a requirement to incorporate ESG factors into our investment process. We use third-party solutions to better understand ESG sensitivity, including risks related to climate, and expect to continue building out this infrastructure, taking industry and PRI signatory manager partners into account.

METRICS AND TARGETS

CATASTROPHE METRICS

As outlined in the Risk Management section, the Company utilizes both model-based and scenario-based metrics to manage the accumulation of catastrophe risk to support the Company's third-party financial strength ratings. We are required to report annually to the rating agencies the estimated loss to a single event that could include all potential earthquakes and hurricanes contemplated by catastrophe modeling software. This reported loss includes the impact of insured losses based on the estimated frequency and severity of potential events, loss adjustment expense, reinsurance reinstatements paid after the loss, reinsurance recoveries and taxes. Based on the catastrophe reinsurance treaty purchased on January 1, 2022, we estimated at that time that there was a 99.6 percent likelihood that the net loss from such a loss would be less than 4.6 percent of policyholders' statutory surplus as of December 31, 2021. The exposure levels are within our tolerances for this risk. We continually evaluate the relevant metrics and targets that support this analysis.

RENEWABLE ENERGY METRICS

The following information on electrical use applies to the Company's campus in Peoria, Illinois where it owns three office buildings and employs approximately 43% of its total workforce. The Company leases all its offices outside of Peoria. In 2021, the Company's solar field in Peoria, Illinois produced 1,375,000 kilowatt hours ("kWh") of electricity, compared to electrical use of 1,010,000 kWh for the Company's Peoria campus during the year. The Company purchased 160,000 kWh of electricity for times when the solar field was not operational, returning a total of 526,000 kWh to the grid, for a net of 366,000 kWh returned to the electrical grid.

RLI PEORIA CAMPUS 2021 ELECTRICAL ENERGY PRODUCTION CONSUMPTION

Total energy production from on-site system	On-site energy consumption from on-site system	Energy exported from on-site system to the grid	Energy imported from the grid
1,375,000 kWh	1,010,000 kWh	526,000 kWh	160,000 kWh
Peoria Campus total energy consumption = 1,010,000 850,000 kWh consumed from on-site system + 160,000 kWh imported from grid			
"Net" energy returned to the grid = 366,000 kWh (526,000 kWh exported to the grid - 160,000 kWh imported)			

GREENHOUSE GAS EMISSIONS

The Company's Scope 1 and Scope 2 greenhouse gas emissions for its owned facilities in Peoria Illinois are reflected below. The emissions were calculated in accordance the GHG Protocol Accounting and Reporting Standard ("GHG Protocol.") The GHG Protocol requires the reporting of Scope 2 emissions for energy imported from the grid without offset for energy returned to the grid from RLI's solar field as reflected in the table above.

	Scope 1 (Metric Tons CO2e)	Scope 2 (Metric Tons CO2e)
2021	340*	69**

* Our methodology for calculating Scope 1 emissions included stationary combustion of natural gas for our building in Peoria; emissions from five company-owned vehicles based on average annual usage; and refrigerant units purchased.

**Our methodology for calculating Scope 2 emissions included energy purchased from the grid as reflected in the table above.