

RLI CORP
Form DEF 14A
March 21, 2019
Table of Contents

Schedule 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

RLI CORP.

.....
(Name of Registrant as Specified In Its Charter)

.....
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

RLI CORP. NOTICE OF 2019 ANNUAL MEETING AND PROXY STATEMENT

Table of Contents

9025 N. LINDBERGH DRIVE • PEORIA, IL 61615
PHONE: 309-692-1000 • FAX: 309-692-1068

WWW.RLICORP.COM

RLI Corp.

9025 North Lindbergh Drive

Peoria, Illinois 61615

March 21, 2019

Dear Fellow Shareholders:

Please consider this letter your personal invitation to attend the 2019 RLI Corp. Annual Shareholders Meeting. It will be held at the Mt. Hawley Country Club, 7724 North Knoxville Avenue, Peoria, Illinois 61614, on May 2, 2019, at 2 p.m. CDT.

Business scheduled to be considered at the meeting includes the election of directors, an advisory vote on our executive compensation, and ratification of KPMG LLP as our independent registered public accounting firm for the current year. In addition, we will review significant events of 2018 and their impact on you and your Company.

Again, this year we are furnishing our proxy materials via the Internet. Shareholders will receive a mailed notice card with instructions on how to view our proxy materials over the Internet and other information.

Thank you for your interest in RLI as well as your confidence in, and support of, our future.

Sincerely,

Jonathan E. Michael

Chairman & Chief Executive Officer

Table of Contents

RLI Corp. | 9025 N. Lindbergh Drive | Peoria, Illinois 61615

Notice of Annual Meeting of Shareholders

May 2, 2019

To the Shareholders of RLI Corp.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of RLI Corp. (“Company”) will be held at the Mt. Hawley Country Club, 7724 North Knoxville Avenue, Peoria, Illinois 61614, on Thursday, May 2, 2019, at 2 p.m. Central Daylight Time for the following purposes:

1. to elect as directors the twelve (12) nominees named in the attached proxy for a one-year term expiring at the 2020 Annual Meeting of Shareholders;
2. to hold an advisory vote on executive compensation (the “Say-on-Pay” vote);
3. to ratify the selection of KPMG LLP as the independent registered public accounting firm of the Company for the current year; and
4. to transact such other business as may properly be brought before the meeting.

Only holders of Common Stock of the Company of record at the close of business on March 4, 2019, are entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors

Jeffrey D. Fick
Sr. Vice President, Chief Legal Officer

Peoria, Illinois

March 21, 2019

It is important, regardless of the number of shares you hold, that you personally be present or be represented by proxy at the Annual Meeting. Even if you expect to attend, it is important that you submit your proxy by any method described below:

- By Internet: by submitting your proxy over the Internet in accordance with the instructions provided on your proxy card or Notice of Internet Availability of Proxy Materials;
- By Phone: by submitting your proxy by telephone, toll-free, in accordance with the instructions provided on your proxy card, or
- By Mail: if you received your proxy card by mail, by completing the proxy card and signing, dating and returning it as promptly as possible.

You have the right to revoke your proxy at any time prior to its use by filing a written notice of revocation with the

Corporate Secretary of the Company prior to the convening of the Annual Meeting, or by presenting another proxy card with a later date or voting by telephone or over the Internet at a later date. If you attend the Annual Meeting and desire to vote in person, your proxy may be withdrawn upon request.

Table of Contents

Table of Contents

<u>Proxy summary</u>	3
<u>General Information</u>	5
<u>Voting</u>	5
<u>Shareholders Entitled to Vote</u>	6
<u>Proxy Solicitation</u>	7
<u>Electronic Access to Proxy Materials and Annual Report to Shareholders</u>	7
<u>Share Ownership of Certain Beneficial Owners</u>	7
<u>Principal Shareholders</u>	7
<u>Directors and Officers</u>	8
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	9
<u>Proposal One Election of Directors</u>	9
<u>General</u>	9
<u>Nominees</u>	10
<u>Director Nominee Information</u>	10
<u>PROPOSAL TWO NON-BINDING, ADVISORY VOTE REGARDING THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS</u>	17
<u>PROPOSAL THREE Ratification of Selection of Independent Registered Public Accounting Firm</u>	18
<u>Fees Paid to Independent Registered Public Accounting Firm</u>	18
<u>Corporate Governance and Board Matters</u>	19
<u>Corporate Governance Principles</u>	19
<u>Director Independence</u>	19
<u>Board Independence Status</u>	21
<u>Director Evaluation Process</u>	22
<u>Director Nomination Policy</u>	22
<u>Code of Conduct</u>	23
<u>Shareholder and Interested Parties Communications</u>	23
<u>Company Policy on Related Party Transactions</u>	23
<u>Certain Relationships and Related Party Transactions</u>	23
<u>Committees of the Board of Directors</u>	24
<u>Audit Committee</u>	24
<u>Executive Resources Committee</u>	25
<u>Finance and Investment Committee</u>	25
<u>Nominating/Corporate Governance Committee</u>	25
<u>Strategy Committee</u>	26
<u>Committee Membership</u>	26
<u>Board Meetings and Compensation</u>	27
<u>Meetings</u>	27
<u>Director Compensation</u>	27
<u>Nonemployee Director Deferred Compensation Plan</u>	28
<u>Director Share Ownership</u>	29
<u>Board Leadership Structure</u>	29
<u>Audit Committee Report</u>	30

<u>Members of the Audit Committee</u>	32
<u>Executive Resources Committee Report</u>	32
<u>Members of the Executive Resources Committee</u>	32
<u>Compensation Committee Interlocks and Insider Participation</u>	32
<u>Compensation Discussion & Analysis</u>	33
<u>Introduction</u>	33
<u>Executive Summary</u>	33
<u>Key Attributes of RLI Executive Compensation</u>	34
<u>HOW THE ERC OPERATES</u>	34
<u>ERC Members</u>	34

Table of Contents

<u>ERC Responsibilities</u>	34
<u>ERC Meetings</u>	35
<u>Response to 2018 Say-on-Pay Vote</u>	35
<u>Input From Management</u>	35
<u>Compensation Consultant</u>	35
<u>OVERVIEW OF RLI EXECUTIVE COMPENSATION</u>	36
<u>Objectives</u>	36
<u>Elements of Company Executive Compensation</u>	36
<u>Balance of Short-Term and Long-Term Compensation</u>	36
<u>Market Value Potential Incentive Program — General</u>	37
<u>Annual Compensation</u>	38
<u>Base Salary</u>	38
<u>Market Value Potential Executive Incentive Program — Annual Incentive Compensation Component</u>	22
<u>Management Incentive Program</u>	40
<u>Long-Term Compensation</u>	41
<u>Market Value Potential Executive Incentive Program — Long-Term Incentive Compensation Component and Forfeiture Provisions (Clawback)</u>	41
<u>Long-Term Incentive Plans</u>	43
<u>Employee Stock Ownership Plan</u>	45
<u>401(k) Plan</u>	45
<u>Deferred Compensation Plan</u>	45
<u>Key Employee Excess Benefit Plan</u>	45
<u>Elements of Post-Termination Compensation and Benefits</u>	46
<u>Stock Ownership/Retention Guideline</u>	48
<u>Executive Management</u>	49
<u>Executive Officers</u>	49
<u>Executive Compensation</u>	49
<u>Summary Compensation Table</u>	49
<u>Grants of Plan-Based Awards</u>	52
<u>Outstanding Equity Awards at Fiscal Year-end</u>	53
<u>Option Exercises and Stock Vested</u>	54
<u>Non-qualified Deferred Compensation</u>	54
<u>RATIO OF CEO TO MEDIAN EMPLOYEE TOTAL COMPENSATION</u>	55
<u>SAFEGUARDS AGAINST UNNECESSARY OR EXCESSIVE risk</u>	55
<u>Senior Management Compensation</u>	56
<u>Underwriting Compensation</u>	56
<u>Investment Practices</u>	57
<u>Employee and Executive Equity Ownership</u>	57
<u>Board's ROLE IN RISK OVERSIGHT</u>	57
<u>Equity Compensation Plan Information</u>	58
<u>Shareholder Proposals</u>	59
<u>Other Business</u>	60
<u>Investor Information</u>	60
<u>Annual Shareholders Meeting</u>	60
<u>Internet Voting</u>	60
<u>Shareholder Inquiries</u>	60
<u>Direct Stock Purchase & Dividend Reinvestment Plan</u>	61

<u>Requests for Additional Information</u>	61
<u>Multiple Shareholders Having the Same Address</u>	61
<u>Contacting RLI</u>	61
<u>RLI on the Web</u>	61

2 | RLI Corp. 2018 Proxy Statement

Table of Contents

Proxy Summary

This Proxy Statement Summary (“Summary”) highlights information contained elsewhere in this Proxy Statement. This Summary does not contain all of the information you should consider, so please read the entire Proxy Statement carefully before voting. For more information regarding our 2018 performance, please review the Annual Report on Form 10-K for the year ended December 31, 2018, a copy of which is available at the Investors section of our website at www.rlicorp.com.

MATTERS TO BE VOTED ON:

The following is a summary of the proposals to be voted on at the Annual Meeting and the Board’s voting recommendations with respect to each proposal:

	Board Recommendation	Page
PROPOSAL 1: Election of Directors	FOR	9
PROPOSAL 2: Non-Binding, Advisory Vote Regarding the Compensation of the Company’s Named Executive Officers	FOR	17
PROPOSAL 3: Ratification of the selection of Independent Registered Public Accounting Firm	FOR	18

CORPORATE GOVERNANCE HIGHLIGHTS:

- Annual Election of directors
- 10 of our 12 director nominees are independent
- Five new independent directors in the last three years
- Comprehensive and updated Code of Conduct that applies to all employees and directors
- Executive sessions of independent directors conducted at regularly scheduled board meeting
- Lead Independent Director position empowered with broad responsibilities and significant governance duties
- Oversight of executive succession planning by the Executive Resources Committee of the Board
- Directors elected by majority vote
- Regular Board, Committee, and Director Evaluations
- Ethics and corporate compliance program and hotline
- Stock ownership guidelines for Directors and Officers

Table of Contents

2018 FINANCIAL HIGHLIGHTS:

Gross Premiums Written (in millions)	Operating Earnings (in millions) (non-GAAP)
\$983.2	\$92.1
Compared to \$885.3 million in the previous year	Generated a 10.8% Operating Return on Equity
Combined Ratio (non-GAAP)	Net Cash Flow from Operations (in millions)
94.7	\$217.1
23rd consecutive year below 100	Highest in Company history
Regular Dividend / Special Dividend	Book Value per Share
\$0.87 / \$1.00	\$18.13
43 years of paying and increasing regular dividends	3% increase year over year, inclusive of dividends

FINANCIAL STRENGTH:

(Superior)	(Strong)
A.M. Best	Standard & Poor's
A+ (Superior)	A+ (Strong)
Moody's	Ward's 50® Top P&C Performer
A2 (Good)	28 Consecutive Years

Table of Contents

RLI Corp. | 9025 N. Lindbergh Drive | Peoria, Illinois 61615

PROXY STATEMENT

Annual Meeting of Shareholders to be held May 2, 2019

GENERAL INFORMATION

This Proxy Statement is furnished to the shareholders of RLI Corp., a Delaware corporation (“Company”), in connection with the solicitation, by the Board of Directors of the Company (“Board” or “Board of Directors”), of proxies to be used at the Annual Meeting of Shareholders (“Annual Meeting”) to be held at 2 p.m. Central Daylight Time on Thursday, May 2, 2019, at the Mt. Hawley Country Club, 7724 North Knoxville Avenue, Peoria, Illinois, 61614, and at any adjournments of the Annual Meeting.

This year, we are pleased to again be taking advantage of a Securities and Exchange Commission (“SEC”) rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to our shareholders a Notice of Internet Availability of Proxy Materials (“E-Proxy Notice”) instead of a paper copy of the proxy materials. The E-Proxy Notice contains instructions that will enable shareholders receiving the E-Proxy Notice to access these materials over the Internet and, if so desired, to request a paper copy of these proxy materials by mail. Shareholders who do not receive the E-Proxy Notice will receive a paper copy of the proxy materials by mail. The Company intends to mail the E-Proxy Notice to shareholders on or about March 21, 2019.

VOTING

Because many shareholders cannot attend the Annual Meeting in person, it is necessary that a large number of our voting shares be represented at the Annual Meeting by proxy to achieve a quorum. Pursuant to the Company’s Bylaws, at least a majority in voting power of the stock issued and outstanding and entitled to vote must be present (in person or by proxy) at the Annual Meeting to conduct the meeting, which is known as a “quorum” of shares. Even if you expect to attend, it is important that you vote your shares by submitting your proxy in advance.

Whether you hold your shares directly as the shareholder of record or through a broker, trustee, or other nominee (“in street name”), you may vote by proxy without attending the Annual Meeting in three different ways:

- Internet: Shareholders may submit their proxy over the Internet by following the instructions provided on the proxy card or on the E-Proxy Notice. Shareholders will need to have the control number appearing on their proxy card or E-Proxy Notice available in order to submit their proxy over the Internet.

Telephone: Shareholders may submit their proxy by telephone, toll-free, by following the instructions provided on the proxy card or on the E-Proxy Notice. Shareholders will need to have the control number appearing on their proxy card or E-Proxy Notice available in order to submit their proxy by telephone.

- Mail: Shareholders who receive a paper copy of a proxy card by mail may submit their proxy by signing, dating and returning the proxy card as promptly as possible in the envelope enclosed for that purpose.

Shareholders can save the Company expense by submitting their proxy by telephone or over the Internet. If you submit your proxy by telephone or over the Internet, you do not need to also submit a proxy card, although you may do so as one method of changing your vote as described below. The method of voting will not limit a shareholder's right to attend the Annual Meeting.

Table of Contents

Each proxy will be voted in accordance with the shareholder's specifications. If you return a signed proxy card without providing voting instructions or do not designate a voting preference when using the other methods, your shares will be voted as recommended by the Board of Directors. All proxies delivered pursuant to this solicitation are revocable at any time prior to the meeting at the option of the shareholder either by giving written notice to the Corporate Secretary at 9025 North Lindbergh Drive, Peoria, Illinois, 61615, or by timely delivery of a properly completed proxy, whether by proxy card or by Internet or telephone vote, bearing a later date, or by voting in person at the Annual Meeting. All shares represented by valid, unrevoked proxies will be voted at the Annual Meeting.

Assuming the presence, in person or by proxy, of a quorum, the election of directors (Proposal One) requires the affirmative vote of a majority of the votes cast. With respect to the election of directors, shareholders may vote in favor of all nominees, or withhold their votes as to all nominees, or withhold their votes as to specific nominees. Votes withheld are deemed present at the meeting and thus will be counted for quorum purposes and have the effect of a vote against the director.

The "Say-on-Pay" vote (Proposal Two) is advisory (not binding) in nature so there is no specified voting requirement for approval. However, the Board of Directors will consider that the shareholders have approved executive compensation on an advisory basis if this agenda item receives the affirmative vote of a majority of the votes cast (in person or by proxy).

Assuming the presence, in person or by proxy, of a quorum, the proposal to ratify the selection of KPMG as the Company's independent accounting firm (Proposal Three) requires the affirmative vote of a majority of the votes cast. Shareholders may vote "For," "Against" or "Abstain" on this proposal. Abstentions are deemed present at the meeting, and thus will be counted for quorum purposes, but will have the same effect as a vote against the matter set forth in Proposal Three.

Brokers who hold shares for the accounts of their clients "in street name" may vote such shares either as directed by their clients or at their own discretion if permitted by the New York Stock Exchange ("NYSE") and other organizations of which they are members. If an executed proxy is returned by a broker on behalf of its client that indicates the broker does not have discretionary authority as to certain shares to vote on one or more matters (a "broker non-vote"), such shares will be considered present at the Annual Meeting for purposes of determining a quorum, but are not considered entitled to vote on that matter. Therefore, broker non-votes will not have any effect on any of the proposals being voted upon at the meeting. If your broker holds your shares "in street name" and you do not instruct your broker how to vote, your broker will have discretion to vote your shares on routine matters, such as Proposal Three, the ratification of the selection of the Company's independent public accounting firm.

Your broker will not, however, have discretion to vote on non-routine matters absent direction from you. Among other matters, brokers are not entitled to use their discretion to vote uninstructed proxies in director elections or executive compensation matters. As a result, your broker will not be able to vote your shares on Proposals One and Two without your direction. Therefore, it is important that you provide your broker with voting instructions on all proposals. If your

shares are held by your broker “in street name,” you will receive a voting instruction form from your broker or the broker’s agent asking you how your shares should be voted. Please complete the form and return it as instructed by the broker or agent.

SHAREHOLDERS ENTITLED TO VOTE

Shareholders of record at the close of business on March 4, 2019, the record date, shall be entitled to vote at the 2019 Annual Meeting. As of the record date, the Company had 44,531,323 shares of Common Stock outstanding and entitled to vote. Common share ownership entitles the holder to one vote per share upon each matter to be voted at the 2019 Annual Meeting.

Table of Contents

PROXY SOLICITATION

The Company will bear the cost of proxy solicitation. In addition to the use of the mail, proxies may be solicited in person or by telephone, facsimile or other electronic means, by directors, officers or employees of the Company. No additional compensation will be paid to such persons for their services. In accordance with the regulations of the SEC and the NYSE, the Company will reimburse banks, brokerage firms, investment advisors and other custodians, nominees, fiduciaries and service bureaus for their reasonable out-of-pocket expenses for forwarding soliciting material to beneficial owners of the Company's Common Stock and obtaining their proxies or voting instructions.

ELECTRONIC ACCESS TO PROXY MATERIALS AND ANNUAL REPORT TO SHAREHOLDERS

This Notice of Annual Meeting of Shareholders and Proxy Statement and the Company's 2018 Annual Report to Shareholders are available on the Company's website at www.rlicorp.com and at www.proxyvote.com.

SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

PRINCIPAL SHAREHOLDERS

Following are the persons or entities known to the Company who beneficially own more than 5 percent of the Company's Common Stock as of December 31, 2018 noted:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Outstanding Common Stock
BlackRock, Inc.(1) 55 East 52nd Street New York, New York 10055	5,666,439	12.70%
State Street Corporation(2) State Street Financial Center One Lincoln Street Boston, Massachusetts 02111	5,448,023	12.20%
The Vanguard Group, Inc. (3) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	4,736,442	10.64%

- (1) The information shown is based solely on a Schedule 13G dated January 31, 2019, filed with the SEC by BlackRock, Inc. (“BlackRock”). According to the Schedule 13G, as of December 31, 2018, BlackRock is the beneficial owner of 5,666,439 shares, has no shared voting or shared dispositive power with respect to the shares, and has sole voting with respect to 5,582,054 shares and sole dispositive power with respect to 5,666,439 shares.

- (2) The information shown is based solely on a Schedule 13G dated February 11, 2019, filed with the SEC by State Street Corporation (“State Street”). According to the Schedule 13G, State Street Bank and Trust Company (“Trustee”), a subsidiary of State Street, in its capacity as trustee of the Company’s Employee Stock Ownership Plan (“ESOP”), held 2,999,265 shares on behalf of participants in such plan. State Street further disclosed no sole voting or sole dispositive power with respect to the shares, shared voting with respect to 5,249,033 shares and shared dispositive power with respect to 5,448,023 shares. Each ESOP participant or beneficiary may direct the Trustee as to the manner in which the shares allocated to each participant under the ESOP are to be voted. The Trustee has sole voting power with respect to all unallocated shares and sole investment power as to all allocated and unallocated shares. With respect to allocated

Table of Contents

shares for which no votes are received, the Trustee will vote such shares in proportion to the votes cast on behalf of allocated shares for which votes are received.

- (3) The information shown is based solely on a Schedule 13G dated February 11, 2019, filed with the SEC by The Vanguard Group, Inc. (“Vanguard”). According to the Schedule 13G, Vanguard is the beneficial owner of 4,736,442 shares, and has sole voting with respect to 73,672 shares, sole dispositive power with respect to 4,660,777 shares, shared voting power with respect to 5,208 shares and shared dispositive power with respect to 75,665 shares.

DIRECTORS AND OFFICERS

The following is information regarding beneficial ownership of the Company’s Common Stock by each director and named executive officer (whose compensation is disclosed in this Proxy Statement), and the directors and executive officers of the Company as a group, as of December 31, 2018.

Name of Individual or Number of Persons in Group	Number of Shares Beneficially Owned(1)	Percent of Outstanding Common Stock
Kaj Ahlmann(2)	8,803	*
Michael E. Angelina (2)	12,807	*
John T. Baily (2) (3)	73,765	*
Thomas L. Brown(4) (5) (6)	74,806	*
Calvin G. Butler, Jr. (2)	4,031	*
David B. Duclos (2)	3,255	*
Jeffrey D. Fick (4) (6)	70,410	*
Susan S. Fleming	1,315	*
Jordan W. Graham (2)	49,964	*
Craig W. Kliethermes (4) (5) (6)	143,830	*
Jennifer L. Klobnak (4) (6)	54,386	*
Jonathan E. Michael (4) (5) (6) (7)	1,278,174	2.9%
Robert P. Restrepo, Jr.	9,000	*
Debbie S. Roberts (2)	191	*
James J. Scanlan (2)	9,500	*
Michael J. Stone (5) (8) (9)	351,733	*
Directors and executive officers as a group (18 persons) (4) (5) (6)	2,240,700	5.01%

*Less than 1% of Class.

(1)

Unless otherwise noted, each person has sole voting power and sole investment power with respect to the shares reported.

- (2) Includes shares held by a bank trustee under an irrevocable trust established by the Company with respect to the RLI Corp. Nonemployee Director Deferred Compensation Plan (“Director Deferred Plan”) for the benefit of the following: Mr. Ahlmann 8,794 shares; Mr. Angelina 4,613 shares; Mr. Baily 38,665 shares; Mr. Butler 4,031 shares, Mr. Duclos 1,314 shares; Mr. Graham 44,969 shares; Ms. Roberts 191 shares; and Mr. Scanlan 3,042 shares. Each participating director has no voting or investment power with respect to such shares.
- (3) Includes 6,000 shares held by Mr. Baily’s spouse.
- (4) Includes shares allocated to the named persons under the ESOP with respect to which such persons have sole voting power and no investment power. As of January 1, 2019, the following shares were allocated under the ESOP: Mr. Brown 3,072 shares; Mr. Fick 11,200 shares; Mr. Kliethermes 11,895 shares; Ms. Klobnak 16,118; and Mr. Michael

Table of Contents

248,238 shares. During 2018, Messrs. Fick, Kliethermes and Michael and Ms. Klobnak were eligible to elect to diversify their respective ESOP shares.

- (5) Includes shares allocated to the named persons which shares are held by a bank trustee under an irrevocable trust established by the Company with respect to the RLI Corp. Executive Deferred Compensation Plan (“Deferred Plan”) for the benefit of the following: Mr. Brown 7,320 shares; Mr. Kliethermes 19,285 shares; Mr. Michael 53,971 shares; and Mr. Stone 29,089 shares. Each participant has no voting or investment power with respect to such shares.
- (6) Includes shares that may be acquired by the named persons within 60 days after December 31, 2018, under the LTIPs (as described herein), upon the exercise of outstanding stock options as follows: Mr. Brown 15,600 shares; Mr. Fick 7,600 shares; Mr. Kliethermes 20,400 shares; Ms. Klobnak 23,800 shares; and Mr. Michael 82,000 shares.
- (7) Includes 133,732 shares allocated under the Key Plan, over which Mr. Michael has no voting or investment power; and 37,148 shares owned by the Jonathan E. Michael Family Trusts, over which Mr. Michael, as Trustee, has sole voting and sole investment power.
- (8) Includes 1,280 shares held by Mr. Stone’s wife, as Custodian — UTMA-FL, as to which Mr. Stone disclaims any beneficial interest.
- (9) Includes 21,978 shares owned by the Michael J. Stone Grantor Retained Annuity Trusts, over which Mr. Stone, as Trustee, has sole voting and sole investment power.

The information with respect to beneficial ownership of Common Stock of the Company is based on information furnished to the Company by each individual included in the table.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), requires the Company’s directors, executive officers and beneficial owners of more than 10 percent of the Common Stock of the Company to file with the SEC certain reports regarding their ownership of Common Stock or any changes in such ownership.

Based solely on its review of the copies of such reports received by it, and/or written representations from certain reporting persons, the Company believes that during the year ended December 31, 2018, the reporting persons have complied with all filing requirements of Section 16(a).

PROPOSAL ONE: ELECTION OF DIRECTORS

GENERAL

At this year's Annual Meeting, all (12) directors are to be elected, each to hold office for a one-year term expiring at the 2020 Annual Meeting unless that director dies, resigns or is removed prior to that time. Unless otherwise instructed, the shares represented by a signed proxy card will be voted for the election of each of the 12 nominees named below. The affirmative vote of a majority of the votes cast is required for the election of directors. Votes will be tabulated by an Inspector of Election appointed at the Annual Meeting. Shares may be voted for, or withheld from, each nominee. Cumulative voting for the directors is not permitted under the Company's Amended and Restated Certificate of Incorporation.

Table of Contents

NOMINEES

Dr. Susan S. Fleming, Ms. Debbie S. Roberts and Messrs. Kaj Ahlmann, Michael E. Angelina, John T. Baily, Calvin G. Butler, Jr., David B. Duclos, Jordan W. Graham, Jonathan E. Michael, Robert P. Restrepo, Jr., James J. Scanlan, and Michael J. Stone, each a current director, are standing for election. Each is nominated to serve for a one-year term expiring in 2020.

The Board of Directors has no reason to believe that any nominee will be unable to serve if elected. In the event that any nominee shall become unavailable for election, the shares represented by a proxy will be voted for the election of a substitute nominee selected by the persons appointed as proxies and recommended by the Board, unless the Board should determine to reduce the number of directors pursuant to the Company's By-Laws or allow the vacancy to stay open until a replacement is designated by the Board.

The Board of Directors recommends that the shareholders vote "FOR" the election of all 12 nominees listed below.

Kaj Ahlmann

BACKGROUND

Age: 68
 Director since: 2009
 Independent Director

Mr. Ahlmann retired after serving from October 2009 through December 2016 as Global Head, Strategic Services and Chair, Advisory Board of Deutsche Bank after having provided independent services to the Council of Global Insurance Asset Management, Deutsche Asset Management, since 2006. From 2001 to 2003, Mr. Ahlmann was the Chairman and CEO of inreon, a global electronic reinsurance venture created by Munich Re, Swiss Re, Internet Capital Group and Accenture. He was Vice Chairman and Executive Officer of E.W. Blanch Holdings, Inc., a provider of integrated risk management and distribution services, from 1999 to 2001. Prior to that, from 1993 to 1999, he was Chairman, President and CEO of Employers Reinsurance Corporation, a global reinsurance company and served as a director of the parent organization, GE Capital Services. Mr. Ahlmann, with his family, owns and operates the Six Sigma Ranch & Winery in Lower Lake, California, which produces artisanal wines for retail distribution.

Committees:

QUALIFICATIONS

Audit
 Nominating/Corporate
 Governance

Mr. Ahlmann has broad global reinsurance and insurance expertise and executive management experience. He brings over 40 years of experience with various companies related to the reinsurance and insurance industries and asset management. He has a Bachelor's degree in Mathematics and a Master's degree in Mathematical Statistics and Probability and Actuarial Science, both from the University of Copenhagen.

OTHER COMPANY BOARD SERVICE

Mr. Ahlmann served on the boards of Erie Indemnity Company, Erie Insurance Group from 2003 to 2008 and SCPIE Holdings, Inc., from 2006 to 2008. Mr. Ahlmann currently serves as Senior Advisor to the insurance sector for Arena Investors, LP, on the board of the American Institute for CPCU (Chartered Property and Casualty Underwriter) and the Advisory Boards of Six Sigma Academy and Insurance Thought Leadership, Inc.

Table of Contents

Michael E. Angelina

BACKGROUND

Age: 52

Director

since: 2013

Independent

Director

Mr. Angelina is the Executive Director of the Maguire Academy of Insurance and Risk Management at Saint Joseph's University since April 2012. He leads the Risk Management and Insurance program within the Haub School of Business and coordinates the Maguire Academy activities. From June 2005 to April 2012, Mr. Angelina was the Chief Risk Officer and Chief Actuary for Endurance Specialty Holdings, Ltd., where he was a functional leader of pricing, reserving and risk management and the leader of the Enterprise Risk Management Initiative. From January 2000 to June 2005, Mr. Angelina was the Managing Principal of Tillinghast-Towers Perrin where he led the Philadelphia office and co-led the Tillinghast Asbestos practice.

Committees:

QUALIFICATIONS

Audit
Strategy

Mr. Angelina has significant insurance industry experience including his extensive risk management background. Mr. Angelina has a Bachelor's degree in Mathematics from Drexel University.

OTHER COMPANY BOARD SERVICE

Mr. Angelina serves as Chairman of the Board on the Board of Directors for Hagerty Insurance Group, a Board Member of QBE Equator Reinsurances Limited, and a member of American Academy of Actuaries Committee on Property & Liability Financial Reporting and former Chair of AAA Casualty

John T. Bailly

BACKGROUND

Age: 75

Director since: 2003

Independent; Lead

Director

Mr. Bailly retired after serving as President of Swiss Re Capital Partners from 1999 through 2002. In this role, he was involved in investments and acquisitions in the insurance industry. He was previously the National Insurance Industry Chairman and Partner of the accounting firm of Coopers & Lybrand LLP (C&L) (now known as PricewaterhouseCoopers LLP) retiring in 1999 after 33 years, 23 years of which he was a partner. He served as Chairman of the C&L insurance practice for 13 years, where he was responsible for all of the firm's services to the insurance industry (including audit, tax, actuarial, management consulting). He was also a member of C&L's governing body, the U.S. Board of Partners.

Committees:

QUALIFICATIONS

Nominating/Corporate
Governance
Finance &
Investment

Mr. Bailly has extensive knowledge in accounting and auditing in the insurance and insurance industries and brings to the Board in-depth experience of insurance accounting and insurance auditing. His service on other public company boards allow for him to provide the Board with a variety of perspectives on corporate governance issues. He has a Bachelor's degree in Economics from Albright College and an MBA from the University of Chicago.

OTHER COMPANY BOARD SERVICE

Mr. Baily serves on the boards of Endurance U.S. Holdings Corp., Golub Capital BDC, Inc., and its affiliates. He previously served on the boards of Endurance Specialty Holdings, Ltd., Erie Indemnity Company, NYMagic, Inc. and CIFG Holdings, Ltd.

Table of Contents

Calvin G. Butler, Jr.

BACKGROUND

Age: 49

Director since: 2016
Independent Director

Mr. Butler has been the CEO of Baltimore Gas and Electric Company (BGE), an Exelon Corp. company, since March 2014. In February 2008, Mr. Butler joined Exelon and has held various managerial positions through the current date. The positions included VP, State Legislation & Government Affairs; SVP, External Affairs LCS State Legislation & Government Affairs; SVP, ComEd Corporate Affairs; SVP, Human Resources, Exelon Corp.; SVP, Corporate Affairs; SVP, Regulatory & External Affairs. From 1999 to January 2008, Mr. Butler held leadership positions with RR Donnelly, including vice president of manufacturing, senior director of government affairs, and senior vice president of external affairs. Mr. Butler worked from 1994 to 1999 at CILCORP. (Central Illinois Light Company) in its government affairs, legal and strategy departments.

Committees:

QUALIFICATIONS

Audit
Nominating/Corporate
Governance

Mr. Butler has extensive executive management experience, together with his regulatory, external affairs, customer service and innovation and technology expertise allows him to provide valuable perspectives and insights on a variety of topics to the Board. He has a Bachelor's degree in Public Relations from Bradley University, and received his Law degree from Washington University School of Law in St. Louis.

OTHER COMPANY BOARD SERVICE

Mr. Butler currently is board chair, Bradley University Board of Trustees; director, University of Maryland Medical Center; director, PNC Funds. In addition, Mr. Butler serves on the Board of Directors of several civil and charitable organizations in and around the Baltimore area.

David B. Duclos

BACKGROUND

Age: 61
Director since: April 2013
2017
Independent
Director

Mr. Duclos retired as CEO of QBE, North America in July 2016, which position he was appointed in April 2013. He currently is serving as a Non-Executive Director on the QBE Equator Reinsurances Limited and Blue Ocean Limited Boards. He retired December 2012 from XL Group, having served as Chief Executive of XL Insurance from January 2008 through December 2011. Mr. Duclos joined XL in October 2003 and served in several senior level underwriting and field operations roles, including running XL's global specialty business. From September 1999 through July 2003, Mr. Duclos was the President, Small Business Group of Kemper Insurance Company. Mr. Duclos was employed at Cigna Corporation from July 1979 through July 1999 in various underwriting and managerial positions. The positions included Branch Underwriting, Marketing Manager, Branch Executive, AVP-Field Operations, Region President and Specialty Business Leader. He previously served as a Director of RLI Corp. from August 16, 2012 until February 26, 2013.

Committees:

QUALIFICATIONS

Executive Mr. Duclos brings 40 years of experience with various companies related to the insurance and
Resources reinsurance industries. Mr. Duclos has broad global reinsurance and insurance expertise, and executive
Finance & management experience. Mr. Duclos has a Bachelor's degree in Business Administration from Eastern
Investment Illinois University and is a graduate of the Advanced Insurance Executive Education Program at the
Wharton School of the University of Pennsylvania.

OTHER COMPANY BOARD SERVICE

Mr. Duclos serves as the non-executive Chairman of Lloyd's Global Network, an advisory Board of
Lloyd's of London, a director of Maguire Academy of Insurance and Risk Management at Saint Joseph's
University, and member of the board of AAIS. He is a former director of QBE Latin American
Insurance Holdings Limited, formerly known as QBE Emerging Markets Holdings Limited.

Table of Contents

Susan S. Fleming

BACKGROUND

Age: 48
 Director since: 2018
 Independent Director

Dr. Fleming is an executive educator, speaker and angel investor. From 2009 through 2018, she served as a Senior Lecturer of management and entrepreneurship at the School of Hotel Administration and the Johnson Graduate School of Management of Cornell University. From 2004 through 2009, she pursued a Masters and PhD from Cornell University. From 1998 until December 2003, she was Partner and Principal of Capital Z Financial Services Partners, a private equity fund focused on the financial services industry. From 1994 until December 2003 she served as Vice President, Insurance Partners Advisors, L.P., a private equity fund focused on the insurance and healthcare industries. From 1992 until 1994 she was an analyst with Morgan Stanley & Co.

Committees:

QUALIFICATIONS

Nominating/Corporate Governance
 Finance & Investment

With her years of experience in private equity, investment banking, and education, Dr. Fleming brings to our board expertise in financial services, corporate finance, mergers and acquisitions, and organizational leadership. Dr. Fleming holds a Bachelor's Degree in Economics and Asian Studies from the University of Virginia and a Master's Degree and PhD in Management and Organizations from Cornell University.

OTHER COMPANY BOARD SERVICE

Dr. Fleming currently serves as a director for Virtus Investment Partners, Inc., a trustee at The Paleontological Research Institution, and is a member of the investment committee of the Tompkins Cortland Community College Foundation. She was formerly a director of Endurance Specialty Holdings, Ltd., Quanta Capital Holdings, Ltd., Ceres Group, Inc., PXRE Group, Ltd., and Universal American Financial Group, Inc.

Jordan W. Graham

BACKGROUND

Age: 58
 Director since: 2004
 Independent Director

Mr. Graham has been Managing Director with Quotient Partners since May 2011, providing business strategy and merger/acquisition advisory services to financial services, digital media, internet and information services companies. From 2010 to 2011, he served as President of FICO Consumer Services and Executive Vice President of Credit Scoring and Predictive Analytics at Fair Isaac, Inc., the leading provider of credit, analytics, and decision management technologies. From 2007 to 2010, Mr. Graham was Managing Director and Head of North America Business Development for the Global Transaction Services (GTS) Division of Citigroup responsible for strategic planning, global partnerships and acquisitions. For the preceding two years, he was retained as a full-time consultant to the CEO of Citigroup GTS and provided strategy and acquisition advisory services. From 1998 to 2004, he was an

executive with Cisco Systems, serving as Vice President of the Internet Business Solutions Group, Services Industries Strategy Consulting, leading internet business strategy consulting practices for the financial services, healthcare, energy and media/entertainment industries globally. Previously he was Managing Director and Global Head of Cisco's Financial Services Industry Consulting Practice providing internet business strategy services to CXO level executives in Global 500 insurance, banking and securities firms. He has also been the CEO of two successful venture capital-backed businesses, a financial services technology company and an internet cloud-based solutions provider.

Table of Contents

QUALIFICATIONS

Committees:

Executive Resources Finance & Investment Mr. Graham has strong financial services, strategy, merger/acquisition and advisory experience as well as deep information technology and internet background. He has over 30 years of experience working both in and providing information technology based products and services to the financial services industry globally. Mr. Graham has a Bachelor's degree in Business Entrepreneurship from the University of Southern California.

OTHER COMPANY BOARD SERVICE

Mr. Graham was previously a board director and member of the Investment Committee for Securitas Capital, a SwissRe and Credit Suisse backed private equity fund investing in insurance and risk related ventures. Mr. Graham currently serves on the board of Yiftee, Inc.

Jonathan E. Michael

BACKGROUND

Age: 65 Director since: 1997 Management Director Mr. Michael has been Chairman of the Board since May 5, 2011 and President & CEO of the Company since January 1, 2001. He was elected Chairman of the Board & CEO of the Company's principal insurance subsidiaries January 1, 2002. Mr. Michael joined the Company in 1982. Additionally, as Executive Vice President he was responsible for running the Company's insurance operations for several years before becoming Chief Operating Officer in 1994. Prior to 1982, Mr. Michael was associated with Coopers & Lybrand LLP.

Committees: QUALIFICATIONS

Board Chairman Mr. Michael has over 36 years of experience with the Company and has held various managerial and executive officer positions. He has a Bachelor's degree in Business Administration from Ohio Dominican College.

OTHER COMPANY BOARD SERVICE

He serves on the Board of Directors of investment management software maker SS&C Technologies Holdings, Inc., sunglass manufacturer Maui Jim, Inc., and business analytic technology firm TADA Cognitive Solutions, LLC. He is currently a member of the OSF St. Francis Medical Center Community Advisory Board, a member of the Bradley University Board of Trustees, and the Chairman of Easterseals Central Illinois. He is a member and Past Chair of the American Property Casualty Insurance Association (formerly known as Property Casualty Insurers Association of America) Board of Governors.

Table of Contents

Robert P. Restrepo, Jr.

BACKGROUND

Age: 68 Mr. Restrepo retired in May 2015 as CEO and President of State Auto Insurance Companies and as
 Director Chairman in December 2015. Mr. Restrepo joined and was appointed Chairman, CEO and President of
 since: 2016 State Auto in 2006. From 2005 to 2006, Mr. Restrepo served as Senior Vice President, Insurance
 Independent Operations of Main Street America Group and was responsible for personal lines, commercial lines,
 Director bonds, claims, marketing, information technology and customer service. From 1998 to 2003, Mr.
 Restrepo was the President and CEO, Property & Casualty of Allmerica Financial. From 1996 to 1998,
 Mr. Restrepo was the President and CEO, Personal Lines at Travelers Property & Casualty and was
 responsible for the newly combined personal property and casualty operations of Travelers and Aetna.
 In 1972 Mr. Restrepo joined Aetna Life & Casualty and held various managerial positions through
 1996, including positions in marketing, technology and field management, and ended as Senior Vice
 President, Personal Lines.

Committees: **QUALIFICATIONS**

Mr. Restrepo brings 44 years of experience with various companies related to the insurance industries.
 Executive He has extensive insurance expertise, executive management, finance, regulatory, and risk management
 Resources experience. He has a Bachelor's degree in English from Yale University.
 Strategy

OTHER COMPANY BOARD SERVICE

Mr. Restrepo serves on the Board of Directors of Majesco, Genworth Financial, Big I Reinsurance
 Company, Nuclear Electric Insurance Limited, and the Larry H. Miller Group. Mr. Restrepo is a
 former Director of American Property Casualty Insurance Association (formerly known as Property
 Casualty Insurance Association of America), Insurance Information Institute, and The Institutes.

Debbie S. Roberts

BACKGROUND

Age: 54 Ms. Roberts retired from McDonald's Corporation in 2018 as President East Zone. In her 28 year career
 Director since: at McDonald's Corporation, she gained increasingly progressive responsibilities in the areas of
 2018 accounting, marketing and operations including roles as Sr. Vice President, Restaurant Support
 Independent Officer-East, President Northeast Zone and most recently as President East Zone being responsible for
 Director \$18.7 billion in sales and a total of 7,000 restaurants.

Committees: **QUALIFICATIONS**

Audit Ms. Roberts brings over 31 years of experience, expertise and background in accounting matters as
 Strategy well as various executive management experience. Ms. Roberts holds a Bachelor's degree in
 Accounting from the University of Illinois.

OTHER COMPANY BOARD SERVICE

Ms. Roberts currently serves as a director on the Boards of The American Red Cross, University of
 Illinois Champaign Alumni, and Women's Foodservice Forum. She is a former member of the Catalyst
 Board of Directors and serves on the Executive Leadership Council.

Table of Contents

James J. Scanlan

BACKGROUND

Age: 64 Mr. Scanlan retired after serving as United States Insurance Industry Leader and as a member of the
 Director Global Insurance Leadership Team of the accounting firm PricewaterhouseCoopers LLP (“PwC”) from
 since: 2015 2003 through 2013. He was responsible for seventy-five partners and all areas of practice management,
 Independent including risk management and new business development. Mr. Scanlan joined PwC in 1976 and was
 Director admitted to Partnership in 1986. He was also past Partner in Charge of Philadelphia Healthcare Practice
 (1989–1992); Philadelphia Financial Services Practice (1993–1997); and Southeast Regional Financial
 Services and Insurance Practice (1998–2001). He was a member of PwC Extended Leadership Team
 from 2007 through 2013.

Committees: QUALIFICATIONS

Audit Mr. Scanlan has extensive experience in accounting and auditing in the insurance and reinsurance
 Executive industries. He has a Bachelor’s degree in accounting from Pennsylvania State University.
 Resources

OTHER COMPANY BOARD SERVICE

He serves on the Board of Directors of Jackson National Life Insurance Company, a subsidiary of Prudential plc, Incorporated. He is Chair of the Finance Committee of Drexel Neumann Academy and West Catholic Preparatory High School. He previously served on the Board of Directors for The Warranty Group, a leading global provider of warranty solutions and underwriting services.

Michael J. Stone

BACKGROUND

Age: 70 Mr. Stone is the former President and Chief Operating Officer of the Company’s principal
 Director insurance subsidiaries from January 2002 until his retirement in December 2015. Mr. Stone joined
 since: 2012 the Company in May 1996 and held various executive officer positions. From 1977 to May 1996,
 Non-Management Mr. Stone held various managerial and executive officer positions with Travelers Insurance
 Director Group.

Committees: QUALIFICATIONS

Finance & Mr. Stone has over 38 years of insurance industry expertise and 19 years at the Company last
 Investment being responsible for the overall direction of the Company’s principal insurance subsidiaries. He
 Strategy has a Bachelor’s degree in Political Science from Bellarmine College, and received his Law
 degree, magna cum laude, from the University of Louisville.

OTHER COMPANY BOARD SERVICE

Mr. Stone serves on the Board of Directors for UnityPoint Health.

Table of Contents

PROPOSAL TWO: NON-BINDING, ADVISORY VOTE REGARDING THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act and related SEC regulations require that we seek an advisory (non-binding) vote from our shareholders to approve the compensation of our named executive officers as disclosed in the Compensation Discussion & Analysis ("CD&A"), compensation tables and related disclosures in this Proxy Statement.

As discussed in our CD&A starting on page 33, our executive compensation programs have been designed to provide a competitive total executive compensation program linked to Company performance that will attract, retain and motivate talented executives critical to the Company's long-term success.

The Executive Resources Committee of our Board ("ERC") developed an overall compensation philosophy that is built on a foundation of the following principles:

- The focus is on the linkage between long-term shareholder value creation and executive pay;
- Incentives for executives directly involved in underwriting are based on underwriting profit measured over a period of years consistent with the income and risk to the Company;
- Compensation should reflect both the Company's and individual's performance;
- A meaningful element of equity-based compensation and significant executive equity holdings are important to ensure alignment of management and shareholder interests;
- The Company's overall executive pay levels must be competitive in the marketplace for executive talent to enable the Company to attract, motivate and retain the best talent; and
- Appropriate safeguards must be in place to ensure annual incentives are aligned with long-term risk and value creation to protect against unnecessary and excessive risk to the Company.

We are asking you to indicate your support for our executive compensation programs as described in this Proxy Statement. This proposal, commonly known as a "Say-on-Pay" proposal, gives you the opportunity to express your views on our 2018 executive compensation policies and procedures for named executive officers. This non-binding vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and procedures described in this Proxy Statement. Accordingly, we ask the shareholders to vote "FOR" the following resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the CD&A, compensation tables and any related material disclosed in the Company's Proxy Statement is hereby APPROVED.

Your vote is advisory, and therefore not binding on the ERC or the Board. However, we value your opinions and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our shareholders' concerns. The ERC will evaluate whether any actions are necessary to address those concerns.

The Board of Directors recommends that the shareholders vote "FOR" the proposal to approve the compensation of the Company's named executive officers as described in this Proxy Statement.

RLI Corp. 2019 Proxy Statement | 17

Table of Contents**PROPOSAL THREE: RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected KPMG LLP (“KPMG”) as the Company’s independent registered public accounting firm for 2019, and the Board is asking shareholders to ratify that selection. Although current law, rules and regulations, as well as the Charter of the Audit Committee, require our independent auditor to be appointed, retained and supervised by the Audit Committee, the Board considers the selection of an independent auditor to be an important matter of shareholder concern and considers a proposal for shareholders to ratify such selection to be an important opportunity for shareholders to provide direct feedback to the Board on an important issue of corporate governance. If the appointment of KPMG is not ratified by shareholders, the Audit Committee will take such action, if any, with respect to the appointment of the independent auditor as the Audit Committee deems appropriate, which may include continued retention of such audit firm. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

Representatives of KPMG are expected to be present at the Annual Meeting with the opportunity to make a statement, if they desire, and will be available to respond to appropriate questions from the shareholders.

The affirmative vote of the holders of at least a majority of the votes cast is required for adoption of this proposal.

The Board of Directors recommends that the shareholders vote “FOR” the proposal to ratify the selection of KPMG LLP as independent registered public accounting firm of the Company for the current fiscal year.

FEES PAID TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Fees for services rendered by KPMG, the Company’s Independent Registered Public Accounting Firm, for the past two fiscal years for each of the following categories of services, are set forth below:

	Fiscal Year 2018	Fiscal Year 2017
Audit Fees	\$ 1,359,680	\$ 1,373,000
Audit-Related Fees	\$ —	\$ —
Tax Fees		
Tax Compliance	\$ —	\$ —

Other Tax Services	\$ —	\$ —
All Other Fees	\$ —	\$ —
Total Fees	\$ 1,359,680	\$ 1,373,000

Audit fees relate to professional services rendered for the audit of the consolidated financial statements of the Company, audits of the statutory financial statements of certain subsidiaries, review of quarterly consolidated financial statements and assistance with review of documents filed with the SEC, including attestation as required under Section 404 of the Sarbanes-Oxley Act of 2002.

Table of Contents

CORPORATE GOVERNANCE AND BOARD MATTERS

CORPORATE GOVERNANCE PRINCIPLES

The Company is committed to having sound corporate governance principles that are designed to ensure that the Board exercises reasonable business judgment in discharging its obligations to the Company and its shareholders. Corporate governance practices also help to ensure that full and transparent disclosures are made to the Company's shareholders and the SEC.

The Company's published Corporate Governance Guidelines, which are publicly available on the Company's website under the Investors section at www.rlicorp.com, outline the directors' responsibilities, which include attendance at shareholder, Board and committee meetings. Due to hazardous weather conditions, only two directors attended the 2018 Annual Meeting of Shareholders and were available to respond to appropriate questions from shareholders.

The Company has developed an orientation process for new directors and also encourages new directors to attend a director seminar in their first year as a director. Directors are required 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. Directors are encouraged to attend annually a forum or conference that will contribute to their performance on the Company Board and the Company reimburses Directors for the reasonable costs of attending director education programs.

DIRECTOR INDEPENDENCE

The Board is required to affirmatively determine the independence of each director and to disclose such determination in the Proxy Statement for each Annual Meeting of Shareholders of the Company. The Board has established guidelines, which are set forth below, to assist it in making this determination, which incorporate all of the NYSE independence standards. Only independent directors serve on the Company's Audit Committee, Executive Resources Committee and Nominating/Corporate Governance Committee.

It is the policy of the Board of Directors of the Company that a majority of its members be independent, which is also a requirement for listing on the NYSE. To be considered independent under the NYSE Listing Standards, the Board must affirmatively determine that a director or director nominee (collectively referred to as "director") has no material relationship with the Company (directly or as a partner, shareholder or officer of an organization that has a relationship with the Company), and also meets other specific independence tests. The Board examines the

independence of each of its members once per year, and again if a member's outside affiliations change substantially during the year. With the exception of the Messrs. Michael and Stone, the Board has affirmatively determined that each director is independent within the meaning of the NYSE Listing Standards and the Company's Director Independence Standards.

The Board has established the following categorical standards, incorporating the NYSE's independence 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 12-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);

Table of Contents

- (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 percent 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, does not exceed the greater of \$1 million, or 2 percent 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 percent 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 percent 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 percent 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.

Table of Contents

BOARD INDEPENDENCE STATUS

The following table identifies the independence status of our Directors as of December 31, 2018:

Director	Independent	Management	Non-Management
Kaj Ahlmann			
Barbara R. Allen*			
Michael E. Angelina			
John T. Baily			
Calvin G. Butler, Jr.			
David B. Duclos			
Susan S. Fleming			
Jordan W. Graham			
F. Lynn McPheeters*			
Jonathan E. Michael			
Robert P. Restrepo, Jr.			
Debbie S. Roberts			
James J. Scanlan			
Michael J. Stone**			

* Ms. Allen and Mr. McPheeters did not stand for re-election and retired from the Board on May 3, 2018.

** Mr. Stone retired from the Company effective December 31, 2015. While no longer considered a Management Director, he is not considered an Independent Director pursuant to the NYSE Listing Standards, as adopted by the Company.

The following relationships were reviewed in connection with determining director independence but were determined to not be material relationships and to not affect such person's independence under the Board independence standards:

- Mr. Baily was previously a director of Endurance Specialty Holdings Ltd. ("Endurance"), affiliates of which include reinsurance companies. Endurance Specialty Holdings, Ltd. was acquired by SOMPO Holdings, Inc. After the acquisition, Mr. Baily became a Director of Endurance U.S. Insurance Holdings Corp. From time to time, the Company's principal insurance subsidiaries enter into reinsurance arrangements with Endurance and its affiliates.
- Mr. Baily and Mr. Scanlan are former partners with PricewaterhouseCoopers LLP ("PwC"), and retired from PwC in 1999 and 2014, respectively. Each of Mr. Baily and Mr. Scanlan receives a pension payment from PwC. From time to time, the Company engages PwC for special projects and services in actuarial, tax, and other areas.

Mr. Angelina is a director of QBE Equator Reinsurances Limited, a subsidiary of QBE Re. Mr. Duclos is a non-executive director of QBE Equator Reinsurances Limited and Blue Ocean Limited and a former director of QBE Emerging Markets and Latin American Insurance Holdings Limited. From time to time, the Company's principal insurance subsidiaries enter into reinsurance arrangements with QBE Re.

- Mr. Angelina is a director of Hagerty Insurance Group ("Hagerty") and Mr. Graham provides consulting services to Hagerty. Hagerty Insurance Agency, a subsidiary of Hagerty, produces insurance business for the Company's principal insurance subsidiaries.
- Mr. Restrepo is a director of Majesco, which provides billing and collection software services to the Company.

Table of Contents

DIRECTOR EVALUATION PROCESS

To ensure that thorough attention is given to individual and collective Directors' performance and optimizing the composition of our Board, the Board and Committees utilize an annual evaluation process. Each Director self-evaluates himself/herself, the performance of the Committees on which he/she serves, as well as the Board as a whole. Detailed composites are completed to obtain perspective on each Committee's performance in relationship to its respective Charter, effectiveness, functionality, areas of improvement and overall performance. The Annual Board Evaluation focuses on board processes, policies, effectiveness, strategy, and individual Director performance. This process is handled by the Nominating/Corporate Governance Committee.

Further, annually the Chairman of the Board and the Lead Director meet separately with each Director to discuss, among other matters, (1) recommendations to improve meetings; (2) Committees' structure and composition; (3) Board members' attributes and weaknesses; (4) compensation; and (5) tenure. The Chairman of the Board and Lead Director summarize their discussions with the Nominating/Corporate Governance Committee.

Based on the cumulative results of each Director's overall performance, the Nominating/Corporate Governance Committee reviews and evaluates the Board candidates and their respective qualifications in detail to determine if it is in the best interest of the Company and its shareholders to nominate each Director to stand for election.

DIRECTOR NOMINATION POLICY

The Nominating/Corporate Governance Committee of our Board considers director candidates based upon a number of qualifications. As minimum qualifications, a nominee should have:

- A reputation for the highest professional and personal ethics and values, fairness, honesty and good judgment;
- A significant breadth of experience, knowledge and abilities to assist the Board in fulfilling its responsibilities;
- Been in a generally recognized position of leadership in his or her field of endeavor; and
- A commitment to enhancing shareholder value.

A nominee should not have a conflict of interest that would impair the nominee's ability to represent the interests of the Company's shareholders and fulfill the responsibilities of a director.

The Nominating/Corporate Governance Committee conducts an annual assessment of the composition of the Board and its committees. In its annual assessment and when conducting a director search, the Nominating/Corporate Governance Committee reviews the appropriate skills and characteristics required of Board members with a goal of establishing diversity among directors reflecting, but not limited to, profession, background, experience, geography,

skills, ethnicity, and gender. The Nominating/Corporate Governance Committee is committed to actively seek highly qualified women and minority candidates for each director search it undertakes. Annually, the Nominating/Corporate Governance Committee will review this Policy and assess its effectiveness in bringing forth both diverse and non-diverse Board candidates that meet the qualifications and have the capabilities to provide strategic direction, governance and oversight to the Company.

The Nominating/Corporate Governance Committee relies upon recommendations from a wide variety of its business contacts, including current executive officers, directors, community leaders, and shareholders as sources for potential director candidates, and may also utilize third party search firms. The Nominating/Corporate Governance Committee will consider qualified director candidates recommended by shareholders as further set forth under SHAREHOLDER PROPOSALS on page 59, but the Nominating/Corporate Governance Committee has no obligation to recommend such candidates. Assuming the appropriate biographical and background material (including qualifications) is provided for candidates recommended by shareholders, the Nominating/Corporate Governance Committee will evaluate those candidates by following substantially the same process and applying substantially the same criteria as for candidates recommended by other sources.

Table of Contents

CODE OF CONDUCT

The Company has adopted a Code of Conduct, which is designed to help directors, officers and employees maintain ethical behavior and resolve ethical issues in an increasingly complex global business environment. The Code of Conduct applies to all directors, officers and employees, including specifically the Chief Executive Officer, the Chief Financial Officer, the Controller, the Chief Legal Officer and any other employee with any responsibility for the preparation and filing of documents with the SEC. The Code of Conduct covers topics including, but not limited to, ethical behavior, conflicts of interest, corporate opportunities, confidentiality of information and compliance with laws and regulations. A copy of our Code of Conduct is available at the Company's website under the Investors section at www.rlicorp.com. Any amendments to the Code of Conduct will be posted on the website, and any waiver that applies to a director or executive officer will be disclosed in accordance with the rules of the SEC and NYSE.

SHAREHOLDER AND INTERESTED PARTIES COMMUNICATIONS

Any shareholder or other interested party who desires to communicate with the Board's Lead Director of the Board's independent directors or any of the other members of the Board of Directors may do so electronically by sending an email to the following address: Lead.Director@rlicorp.com. Alternatively, a shareholder or other interested party may communicate with the Lead Director or any of the other members of the Board by writing to: Lead Director, RLI Corp, 9025 N. Lindbergh Drive, Peoria, Illinois 61615. Communications may be addressed to the Lead Director, an individual director, a Board Committee, the independent directors, or the full Board. Communications received by the Lead Director will then be distributed to the appropriate directors. Solicitations for the sale of merchandise, publications, or services of any kind will not be forwarded to the directors.

COMPANY POLICY ON RELATED PARTY TRANSACTIONS

The 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 a written Related Party Transaction Policy which shall be followed in connection with all related party transactions involving the Company. The Related Party Transaction Policy generally requires approval by the Nominating/Corporate Governance Committee prior to the original or renewal effective date for all transactions above \$10,000 to be entered into between the Company and its directors, officers, shareholders owning in excess of 5 percent of the Common Stock of the Company, and their family members and affiliates. In 2018, the Nominating/Corporate Governance Committee approved a related party transaction between the Company and SS&C Technologies Holdings, Inc. ("SS&C") as described immediately below.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In 2018, the transactions or series of similar transactions to which the Company was a party in which the amount involved exceeded \$120,000 and in which any director, executive officer, or holder of more than 5 percent of the Common Stock of the Company (or any of their immediate family members) had a direct or indirect material interest, was the Company's transaction with SS&C Technologies Holdings, Inc. ("SS&C").

In 2013, the Company entered into a business arrangement with SS&C to provide investment portfolio accounting and data processing services. The contract was for a term of five years, expiring on October 1, 2018, but automatically renewing for a three year term unless cancelled by either party. The Company's President & CEO (Mr. Michael) is a member of the Board of Directors of SS&C. The Chairman and CEO of SS&C is the brother of Mr. Stone, a Director and former Officer of the Company's principal insurance subsidiaries. The Company paid SS&C \$314,022 in 2018. This transaction falls within the purview of the Related Party Transaction Policy described in the previous paragraphs and is subject to review and approval by the Nominating/Corporate Governance Committee pursuant to that Policy. The Nominating/Corporate Governance Committee approved the renewal contract with SS&C for its three year term.

Table of Contents

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has five standing committees: Audit, Executive Resources, Finance and Investment, Nominating/Corporate Governance, and Strategy. The Audit, Executive Resources and Nominating/Corporate Governance Committees are composed solely of independent directors in compliance with the Company's requirements and the NYSE Listing Standards. The Nominating/Corporate Governance Committee annually evaluates both Committee members and Committee Chairs, and rotates as necessary. In his discretion, the Chairman of the Board may attend any or all Committee meetings. All committees meet at least quarterly and also hold informal discussions from time to time. Charters for each committee are available on the Company's website under the Investors section at www.rlicorp.com.

AUDIT COMMITTEE

The Company's Audit Committee, composed exclusively of independent directors, met nine times in 2018 to consider various audit and financial reporting matters, including the Company's outside audit firm relationship and to discuss the planning of the Company's annual outside audit and its results. The Audit Committee also:

- monitored the Company's management of its exposures to risk of financial loss;
- reviewed the adequacy of the Company's internal controls, including the Company's continued adherence to the Committee of Sponsoring Organizations of the Treadway Commission Internal Control - Integrated Framework (COSO) 2013 update;
- reviewed the extent and scope of audit coverage;
- reviewed quarterly financial results;
- monitored selected financial reports;
- assessed the auditors' performance; and
- selected the Company's independent registered public accounting firm.

In addition to the nine meetings described above, the Audit Committee also held one joint meeting with the Strategy Committee of the Board of Directors. The purpose of the joint meeting with the Strategy Committee was to discuss safeguards against unnecessary or excessive risk that could arise from the Company's catastrophe management, reserving, reinsurance, regulatory environment, business continuity, cybersecurity, and vendor management. The Audit Committee also meets in executive session, with no members of management present, after its regular meetings, as well as private executive sessions with KPMG and various members of management.

The Audit Committee is responsible for approving every engagement of KPMG to perform audit or non-audit services on behalf of the Company or any of its subsidiaries before KPMG is engaged to provide those services, with the Chair of the Audit Committee being authorized to pre-approve non-audit services and then reporting those services to the full Audit Committee, as described in the Audit Committee Report. The Audit Committee evaluates the effects that the provision of non-audit services may have on the Company's independent registered public accounting firm's independence with respect to the audit of our financial statements.

The Board of Directors annually determines the "financial literacy" of the members of the Audit Committee pursuant to the NYSE required standards. The Board has determined that based on those standards, each member of the Audit Committee is independent and financially literate, and that each member possesses accounting or related financial management

Table of Contents

expertise. The Board of Directors has further determined that each of the Audit Committee members qualifies as an “audit committee financial expert” as defined by the SEC.

From May 4, 2017 through August 16, 2018, the members of the Audit Committee were Messrs. Scanlan (Chair), Ahlmann, Angelina and Butler. After August 16, 2018 the members of the Audit Committee were Messrs. Scanlan (Chair), Ahlmann, Angelina, Butler and Ms. Roberts.

EXECUTIVE RESOURCES COMMITTEE

The Company’s Executive Resources Committee (“ERC”), composed exclusively of independent directors, met five times in 2018 to evaluate and recommend compensation of the President & CEO and certain key executive officers of the Company, discuss and evaluate the Company’s Market Value Potential Executive Incentive Program (“MVP Program”), to develop objective criteria for the selection and ongoing management of the Company’s compensation peer group, and to enhance the overall effectiveness of the executive compensation programs. The ERC also reviews and evaluates the corporate goals for the senior leadership team, management development, and succession planning and the Company’s annual and long-term incentive programs, and retirement and medical programs. In addition to the five meetings described above, the ERC also held one joint meeting with the Strategy Committee of the Board of Directors to discuss safeguards against unnecessary or excessive risk that could arise from the Company’s executive compensation policies and practices.

From May 4, 2017 through May 3, 2018, the members of the ERC were Messrs. McPheeters (Chair), Duclos, Graham, Restrepo and Scanlan. After May 3, 2018, the members of the ERC were Messrs. Duclos (Chair), Graham, Restrepo and Scanlan.

FINANCE AND INVESTMENT COMMITTEE

The Company’s Finance and Investment Committee oversees the Company’s investment and corporate finance transactions, policies and guidelines, which includes reviewing investment performance, investment risk management exposure and the Company’s capital structure. This Finance and Investment Committee met four times in 2018 to discuss ongoing financial, investment and capital matters. In addition to the four meetings described above, the Finance and Investment Committee also held one joint meeting with the Strategy Committee of the Board of Directors to discuss monitoring and safeguards against unnecessary or excessive risk that could arise from the Company’s financing and investment activities in the areas of equity, interest rates, credit, and capital.

Edgar Filing: RLI CORP - Form DEF 14A

From May 4, 2017 through May 3, 2018, the members of the Finance and Investment Committee were Messrs. Graham (Chair), Baily, Duclos, McPheeters, and Stone. From May 3, 2018 through August 16, 2018, the members of the Finance and Investment Committee were Messrs. Graham (Chair), Baily, Duclos and Stone. After August 16, 2018, the members of the Finance and Investment Committee were Messrs. Graham (Chair), Baily, Duclos, Stone and