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200 Constitution Avenue NW
Washington, DC 20210

2520042393403

**Statement Required Pursuant to ERISA
Labor Regs. §2520.104-23(b)**

This statement is being filed with you in respect of the RLI Corp./Executive Deferred Compensation Agreement (the "Agreement").

**Name, Address and Employer
Identification Number**

RLI Corp.
9025 North Lindbergh Drive
Peoria, Illinois 61615
37-0889946

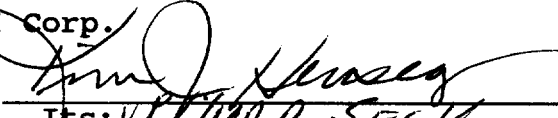
The Agreement

RLI Corp. maintains the Agreement and attached RLI Corp. Deferred Compensation Irrevocable Trust Agreement to which it contributes assets intended to be used to purchase shares of RLI Corp. The Agreement was established for the purpose of providing deferred compensation for only participants in the RLI Corp. Market Value Potential Executive Incentive Plan, i.e., a select group of management and or highly compensated employees of RLI Corp.

Attachment

A copy of the Agreement and associated Irrevocable Trust is attached and incorporated by this reference.

Dated: 9-21-98

RLI Corp.
By: 
Its: V. J. Hasey
 VP/EMP SECY

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**The RLI Corp./Executive
Deferred Compensation Agreement**

9/21/98:Executive/RLI Corp.

Deferred Compensation Agreement

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THIS RLI CORP./EXECUTIVE DEFERRED COMPENSATION AGREEMENT is made in duplicate at Peoria, Illinois, effective on the Execution Date by and between RLI Corp. ("RLI") and the undersigned ("Executive").

I. RECITALS

A. Background: The Corporation

RLI is a holding company which, through its subsidiaries, is engaged in the Business, is possessed of the Accounting Year and reports its income and expense on the Accounting Basis.

B. MVP Executive Plan

The Executive is a participant under the Market Value Potential Executive Incentive Plan ("MVP Plan") incident to which the Executive may defer all or any part of the cash bonus ("MVP Bonus") otherwise distributable to the Executive. The Parties wish to supplement the MVP Plan with this Agreement which shall control the distribution of any MVP Bonus otherwise distributable to the Executive.

C. Exemption from the Executive

Income Retirement Security Act

RLI has established the RLI Corp. Executive Deferred Compensation Irrevocable Trust ("Trust") with an independent trustee ("Trustee") to which RLI may periodically transfer shares of RLI and other assets designed to fund the obligation of RLI to the Executive under this Agreement. Even though the Plan Benefit may be satisfied from property transferred to the Trustee under the Trust, this Agreement and the Plan Benefit are unfunded and are maintained primarily for the purpose of providing deferred compensation for the Executive.

If this Agreement is subject to the provisions of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), then subject to the filing of the statement described in ERISA Labor Reg. §2520.104-23, this Agreement shall be exempt from the participation, vesting, benefit accrual, funding and fiduciary provisions of ERISA.

II. AGREEMENTS

NOW, THEREFORE, the Parties agree as follows:

1. Remuneration: Direct

RLI shall pay upon demand all reasonable expenses incurred by the Executive

9/21/98:Executive/RLI Corp.

Deferred Compensation Agreement

incident to the Business.

Except as otherwise provided in the following sections, RLI shall pay the Executive for services rendered as an employee of RLI or an Affiliate a base salary ("Base Compensation") in an amount periodically determined to be appropriate by the Parties, payable not less often than annually.

2. Remuneration: Base Compensation Deferred

2.1 Amount of and Limitations on Deferred Compensation

Subject to the limitations and the satisfaction of the conditions expressed in the following sections, the Executive may defer not to exceed one hundred percent (100%) of the Executive's Base Compensation attributable to services to be rendered in respect of the period beginning on the Execution Date.

2.1(a) Current Accounting Year: Delivery and Irrevocability of Deferred Compensation Direction

Any Deferred Compensation Direction with respect to the period beginning on the Execution Date and ending on December 31, 1998, must be delivered to RLI prior to the expiration of the thirty (30) day period beginning on the Execution Date and shall be irrevocable.

2.1(b) Subsequent Accounting Year: Delivery and Irrevocability of Deferred Compensation Direction

Any Deferred Compensation Direction with respect to any Accounting Year beginning on or after January 1, 1999, must be delivered to RLI prior to January 1 of the subject Accounting Year and shall be irrevocable effective December 31 of the preceding Accounting Year.

2.1(c) Investment of Base Compensation Deferred

RLI shall transfer to the Trustee either cash or such number of shares of RLI as shall be equal in value to the amount of the Base Compensation deferred not less often than monthly and in any event within the thirty (30) day period beginning on the close of the subject Accounting Year. RLI shall direct the Trustee to purchase additional shares of RLI with any cash dividend. The value of each share of RLI to be transferred shall be equal to the closing price of a share of RLI as of the close of the last business day of the referent month.

3. Remuneration: MVP Bonus Deferred

3.1 Amount of and Limitations on Deferred Compensation

Subject to the limitations and the satisfaction of the conditions expressed in the following sections, the Executive may defer not to exceed one hundred percent (100%) of the Executive's MVP Bonus to the extent not then ascertainable, subject to forfeiture or attributable to services to be rendered in respect of the period beginning on the Execution Date.

3.1(a) Current Accounting Year: Delivery and Irrevocability of Deferred Compensation Direction

Any Deferred Compensation Direction with respect to the period beginning on the Execution Date and ending on December 31, 1998, must be delivered to RLI prior to the expiration of the thirty (30) day period beginning on the Execution Date and shall be irrevocable.

3.1(b) Subsequent Accounting Year: Delivery and Irrevocability of Deferred Compensation Direction

Any Deferred Compensation Direction with respect to any Accounting Year beginning on or after January 1, 1999, must be delivered to RLI prior to January 1 of the subject Accounting Year and shall be irrevocable effective December 31 of the preceding Accounting Year.

3.1(c) Investment of MVP Bonus Deferred

RLI shall transfer to the Trustee either cash or such number of shares of RLI as shall be equal in value to the amount of the MVP Bonus within the thirty (30) day period beginning on the date the amount of the MVP Bonus is finally determined. RLI shall direct the Trustee to purchase additional shares of RLI with any cash dividend. The value of each share of RLI to be transferred shall be equal to the closing price of a share of RLI as of the close of the last business day of the referent month.

3.2 Distribution of Plan Benefit

3.2(a) Plan Benefit Distribution Commencement Date

Except as otherwise provided in the following paragraphs, the Plan Benefit shall commence to be distributed to the Executive not earlier than thirty (30) days after a Distribution Event.

If the Executive is the subject of an Unforeseeable Emergency that is caused by an event beyond the control of the Executive which Unforeseeable Emergency would result in severe financial hardship to the Executive but for the distribution of the Plan Benefit before the Distribution Event, then, subject to the satisfaction of the conditions expressed in the following paragraph, the Plan Benefit may be distributed to the Executive as, when and to the extent specified by the Executive Resources Committee.

The Executive Resources Committee must approve the amount and payment period in respect of any distribution. No payment shall be made to the extent that a hardship may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under the Plan. No payment shall be made in excess of the amount reasonably required to satisfy the Unforeseeable Emergency determined with regard to any Federal or state income tax payable with respect to any distribution.

3.2(b) Distribution Period

Except as otherwise provided in Section 3.2(a) Plan Benefit Distribution Commencement Date with respect to an Unforeseeable Emergency and the following paragraphs, the Plan Benefit shall be distributed in sixty (60) substantially equal monthly installments

If the Executive is the subject of a fraud, a theft, or an embezzlement from or with respect to either RLI or an Affiliate, RLI may suspend, reduce or otherwise alter any payment of the Executive's Plan Benefit in full or partial satisfaction of any direct or indirect damage sustained or reasonably foreseeable by RLI or any Affiliate with respect to any such act or omission. If any dispute arising with respect to this paragraph shall not be resolved by the Parties, such dispute shall be subject to arbitration in accordance with the Federal Arbitration Act 9 U.S.C. 11, et seq. from a location in the City of Peoria designated by the Parties.

Subject to the satisfaction of the conditions expressed in the following sentences, the Executive Resources Committee may, in its sole and unrestricted discretion, upon application of the Executive, or the Executive's beneficiary, periodically alter or amend the period over which the Plan Benefit shall be distributed. The Executive Resources Committee may require the presentation of such evidence as the Executive Resources Committee periodically determines to be appropriate. The decision of the Executive Resources Committee or the decision of the Executive Resources Committee not to review the application of the Executive or the Executive's beneficiary, shall not be the subject of any review by the Executive.

3.2(c) Form of Distribution

Except as otherwise provided in the last paragraph of this Section, absent an irrevocable election to the contrary by the Executive or the Executive's beneficiary to RLI more than ninety (90) days prior to a Distribution Event, the Plan Benefit shall be distributed in the form of RLI shares. Unless the shares have been registered under the Act, are otherwise exempt from the registration requirements of such Act, are the subject of a favorable no action letter issued by the Securities and Exchange Commission, or are the subject of an opinion of counsel acceptable to RLI to the effect that such shares are exempt from the registration requirements of the Act, certificates representing such shares shall contain a legend precluding the transfer of such shares except in accordance with the provisions of Rule 144 of the Act.

If the Executive or the Executive's beneficiary delivers an irrevocable election to RLI more than ninety (90) days prior to a Distribution Event, specifying the extent to which the Plan Benefit shall be distributed in cash, then subject to the satisfaction of the conditions expressed in Rule 10b-5 as promulgated by the Securities and Exchange Commission implementing the Securities Act in respect of the sale of any shares which comprise such Executive's Plan Benefit, the Plan Benefit shall be distributed in the form of cash, with interest payable as, when and to the extent the Plan Benefit is distributed, computed at the Prime Rate on the undistributed balance of the Plan Benefit from the Distribution Event to the date the Plan Benefit is fully distributed.

Subject to the satisfaction of the conditions expressed in the following sentences, the Executive Resources Committee may in its sole and unrestricted discretion, upon application of the Executive, or the Executive's beneficiary, periodically alter or amend the form of the distribution of the Plan Benefit. The Executive Resources Committee may require the presentation of such evidence as the Executive Resources Committee periodically determines to be appropriate. The decision of the Executive Resources Committee or the decision of the Executive Resources Committee not to review the application of the Executive or the Executive's beneficiary, shall not be the subject of any review by the Executive.

3.2(d) Beneficiary

The Plan Benefit shall be distributed to the Executive and then to such beneficiary as the Executive may periodically designate during the lifetime of such beneficiary. If the Executive fails to designate a beneficiary or the designated beneficiary dies before the Executive's Plan Benefit is fully distributed, the undistributed balance shall be distributed to the Executive's spouse, if living, and upon the death of the Executive's spouse, to the Executive's then living descendants, per stirpes, and upon the death of the last surviving descendant to the estate of the Executive.

4. Claim Procedure

This Agreement shall be administered by the Executive Resources Committee.

4.1 Filing of a Claim for a Plan Benefit

The Executive may present a claim for any Plan Benefit in writing to the Executive Resources Committee. The Executive Resources Committee shall determine the validity of any claim. If all or any part of the claim is denied, a written notice of the denial will be provided to the Executive not later than sixty (60) days following the receipt or filing of such claim. The notice of denial must be expressed in a manner calculated to be understood by the Executive and include the following: (a) the specific reason or reasons for denial; (b) a specific reference to the pertinent Plan provisions on which the denial is based; (c) description of any additional material or information necessary for the Executive to perfect the claim; (d) an explanation of why such material or information is necessary; and, (e) an explanation of this review procedure.

4.2 Appeal

Within ninety (90) days of the receipt by the Executive of written notice of denial, or such later time as will be deemed reasonable, taking into account the nature of any Plan Benefit claimed and any other circumstance, or if the claim has not been granted within a reasonable period of time, the Executive may file for a full review of the denial of the claim, including a hearing if deemed necessary by the Board of Directors of RLI. In connection with such review, the Executive may inspect pertinent documents and may submit issues and comments in writing.

The Board of Directors of RLI will deliver to the Executive a written decision on the review of the claim not later than sixty (60) days after the receipt of the request for such review, except that if there are special circumstances which require an extension of time for processing, the sixty (60) day period will be extended to one hundred twenty (120) days. A decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the Executive and with specific references to the applicable provisions of this Agreement.

5. General Conditions

5.1 Absence of Funding and Creditor Claims

Except as otherwise provided in the following sentence, this Agreement and the Plan Benefit are unfunded, are subject to the claims of the general creditors of RLI, may not be assigned, sold, anticipated, pledged or otherwise transferred and shall not be subject to any claim of the Executive, the Executive's spouse, their respective creditors, or their respective successors or assigns. The foregoing sentence shall not relieve RLI of its obligation to pay the Plan Benefit as, when and to the extent distributable pursuant to this Agreement.

5.2 Additional Documents Required

Each Party shall execute, acknowledge and deliver such additional documents, writings or assurances as the other may periodically require so as to give full force and effect to the terms and provisions of this Agreement.

5.3 Amendment and Termination

Subject to the limitation expressed in the following sentence, this Agreement may be altered, amended or terminated by RLI upon the vote of its directors other than the Executive. No alteration, amendment or termination of this Agreement shall alter, amend or terminate any provision with respect to any Plan Benefit existent prior to the date of any such alteration, amendment or termination, which Plan Benefit shall be distributed in accordance with the terms of this Agreement notwithstanding any such alteration, amendment or termination.

5.4 Binding Effect

The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

5.5 Choice of Law

The laws of the State of Illinois shall govern the validity, interpretation and administration of this Agreement.

5.6 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

5.7 Incapacitated Beneficiary

If any beneficiary is Incapacitated, the Trustee may distribute such beneficiary's Plan Benefit to such beneficiary's parent, guardian, conservator, or to any individual with whom such beneficiary is residing without responsibility for its expenditure.

5.8 Incorporation by Reference; Schedules

The paragraphs under the heading "I. RECITALS:" and any Schedule referred to in this Agreement are a part of this Agreement.

5.9 Interpretive Guidelines

The words and phrases set off by quotation marks in the **Glossary** have the meanings therein indicated. Any word or phrase which appears in this Agreement in parenthesis, set off by quotation marks and capitalized has the meaning denoted by its context. Whenever the words and phrases defined either in the **Glossary** or elsewhere in this Agreement are intended to have their defined meanings, the first letter of such word or the first letters of all substantive words in such phrase shall be capitalized. When the context permits, a word or phrase used in the singular includes the plural, and when used in any gender, its meaning also includes all genders. Captions of Sections are inserted as a matter of convenience only and do not define, limit or extend the scope or intent of this Agreement or any provision hereof.

5.10 Notices

Any notice, request, communication and demand hereunder shall be in writing and shall be deemed to have been duly given if delivered in person or sent by registered or certified mail, postage prepaid, to RLI at its principal place of business, or to such other address as RLI shall periodically designate by written notice, and in the case of the Executive, to the Executive's last known principal place of residence or to such other address as the Executive shall periodically designate by written notice.

5.11 Receipt and Release for Payments

Any payment to the Executive, any beneficiary or any guardian for either shall, to the extent thereof, be in full satisfaction of any claim hereunder against RLI. RLI may require the distributee, as a condition precedent to such payment, to execute a receipt and release thereof in such form as shall be determined by RLI.

5.12 Venue

As a substantial portion of the duties and obligation of the Parties created hereunder are performable in Peoria, Illinois, Peoria, Illinois, shall be the sole and exclusive venue for any arbitration, litigation, special proceedings, or other proceedings as between the Parties that may be brought, or arise out of, or in connection with or by reason of this Agreement.

5.13 Waiver

The waiver by either Party of any breach of this Agreement, whether in a single instance or repeatedly, shall not be construed as a waiver of rights under this Agreement to terminate the same because of similar or additional breaches. Further such waiver shall not in any manner be construed as a waiver by any Party to strictly adhere to the terms and conditions of this Agreement, nor as a waiver of any claim for damages or other remedy by reason of any such breach.

[The balance of this page is intentionally left blank. The next page begins with Section 6 Glossary.]

6. Glossary

"Accounting Basis" means the accrual basis method of accounting.

"Accounting Year" means the twelve (12) consecutive month period beginning January 1, which shall change as, when and to the extent the fiscal year of RLI shall change.

"Act" means the Securities Act of 1933, as periodically amended.

"Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

"Base Compensation" is defined under Section 1 **Remuneration: Direct**.

"Business" means the underwriting of specialty property and casualty insurance, and providing licensing services for agents and brokers .

"Business Organization" means a partnership, limited partnership, limited liability company, estate, trust, or any other form of for-profit activity or any combination of the foregoing.

"Capital Structure Change" means any stock dividend, stock split, reverse stock split, or any other change in the number of outstanding RLI shares occasioned by any reorganization, merger, consolidation, split-up, combination or exchange, or any combination of the foregoing.

"Change in Control" means:

(a) any transfer, sale of substantially all of the shares or assets of RLI, any exchange, reorganization, merger, recapitalization or other capital adjustment, or any combination of the foregoing, incident to which the shareholders before any such event shall own after such event less than fifty-one percent (51%) of the issued and outstanding shares of the surviving corporation, or less than fifty-one percent (51%) of the capital or profits interest of any surviving Business Organization; or

(b) any transaction or series of transactions after which a majority of the board of directors of the surviving corporation or a majority of the voting members of the surviving Business Organization may be elected or appointed without the consent of the Executive or any combination of the foregoing.

"Deferred Compensation Direction" means an instrument executed by the Executive specifying (a) the amount, expressed in either a fixed dollar amount or a percentage, of the Base Compensation which the Executive elects to defer; (b) the amount, expressed in either a fixed dollar amount or a percentage, of the MVP Bonus which the Executive elects to defer; and (c) any other information as RLI may periodically request.

"Disability" means the inability of the Executive, by reason of accident or

mental or physical illness reasonably expected to be of indefinite duration, to continue to provide the services expressed in this Agreement as conclusively determined by RLI.

"Distribution Event" means (a) the death of the Executive, (b) the Disability of the Executive, (c) the termination of the Executive's employment with either RLI or an Affiliate, or (d) a Change in Control.

"ERISA" is defined under I. **RECITALS: C. Exemption from the Executive Income Retirement Security Act.**

"Execution Date" means the date upon which this Agreement is signed by the last Party to sign this Agreement.

"Executive" means the undersigned.

"Executive Resources Committee" means a committee of the members of the Board of Directors of RLI other than the Executive.

"Parties" means RLI and the Executive.

"Person" means any individual, partnership, corporation, unincorporated organization, limited liability company, a government or any department or agency thereof, or any combination of the foregoing.

"Plan Benefit" means the sum of (a) such number of shares of RLI transferred to the Trustee pursuant to the Executive's Deferred Compensation Direction, equitably adjusted for any Capital Structure Change; (b) any uninvested dividends; and (c) any cash or cash equivalents.

"Prime Rate" means (a) the average short term borrowing rate applicable to RLI adjusted annually, or (b) in the absence of any such short term borrowing, equal to the prime rate as periodically published in The Wall Street Journal, Southwest Edition, under the "Money Rates" section, as being reflective of the current base rate on corporate loans at large United States money center commercial banks.

"RLI" means RLI Corp.

"Securities Act" means any provision of §10(b) of the Securities Exchange Act of 1934, as periodically amended.

"Trade Secret" means information that (a) is used or intended for use in a trade or business; (b) is included or embodied in a formula, pattern, compilation, computer software, drawing, device, method, technique or process; (c) is not publicly known and is not generally known in the trade or business of the Person asserting that it is a trade secret; (d) cannot be readily ascertained or derived from publicly available information; (e) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and (f) has significant economic value.

"Trust" is defined under I. **RECITALS: C. Exemption from the Executive Income Retirement Security Act.**

"Trustee" is defined under I. **RECITALS: C. Exemption from the Executive Income Retirement Security Act.**

"Unforeseeable Emergency" means severe financial hardship to the Executive resulting from a sudden illness or accident of the Executive or of a dependent of the Executive, loss of the Executive's property due to a casualty, or other similar extraordinary or unforeseeable circumstance arising as a result of events beyond the control of a participant.

[The balance of this page is intentionally left blank. The next page begins with Section **III. EXECUTION:**.]

III. EXECUTION

Dated at Peoria, Illinois as of the day and year noted above, on the Execution Date noted below.

RLI:

Executive:

RLI Corp.

By: _____

Its: _____

Dated: _____

Dated: _____

Deferred Compensation Election

1998 Base Compensation: I elect to defer:

(a) ___% (or \$_____) of my Base Compensation attributable to the period beginning on the Execution Date and otherwise payable to me during 1998; and,

(b) ___% (or \$_____) of my MVP Bonus, if any, attributable to the period beginning on the Execution Date and otherwise payable to me during 1999.

(c) ___% of my MVP Bonus, if any, attributable to the period beginning on the Execution Date and otherwise payable to me during 1999, exceeding \$_____, not to exceed \$_____.

Dated: _____, 1998.

_____ Executive

Received this ___ day of _____, 1998

RLI Corp.

By: _____

Its: _____

The RLI Corp. Deferred Compensation
Irrevocable Trust Agreement

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THIS RLI CORP. DEFERRED COMPENSATION IRREVOCABLE TRUST AGREEMENT is made on the Execution Date by and between RLI Corp. ("Corporation") and the undersigned ("Trustee").

I. RECITALS

A. Adoption of Plan

The Corporation has adopted the RLI Corp./Executive Deferred Compensation Agreement ("Plan") for the benefit of participants in the RLI Corp. Market Value Potential Executive Incentive Plan in the form attached hereto.

B. This Agreement

The Corporation has incurred or expects to incur liability under the Plan. With a view toward providing the Corporation with a source of funds to assist it in satisfying its liabilities under the Plan, the Corporation wishes to establish this Agreement and to transfer assets to the Trustee to be held and disposed of as provided in this Agreement, subject to the claims of the Corporation's creditors in the event of the Corporation's insolvency, to be held by the Trustee until distribution pursuant to each Plan. This Agreement is intended to be a grantor trust, of which the Corporation is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended ("Code") and shall be construed accordingly.

C. Unfunded Status

Notwithstanding the fact that the Plan Benefit under each Plan shall be satisfied from property held by the Trustee, this Agreement shall constitute an unfunded arrangement as that term is defined in Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"). If this Agreement is subject to the provisions of ERISA, then such transfer shall not affect the status of any Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated individuals under ERISA.

II. AGREEMENTS

NOW, THEREFORE, the Parties hereby agree as follows:

1. Irrevocability: Irrevocable Deposits

1.1 Date of Irrevocability

This Agreement shall become irrevocable ten (10) days after the first to occur of the issuance of a favorable private letter ruling regarding the Federal income tax aspects of this Agreement and the Plans from the Internal Revenue Service, the receipt by the Trustee of an opinion of counsel to the Corporation regarding the Federal income tax aspects of this Agreement and the Plans, or the advice to the Trustee by the Corporation that neither condition expressed in the preceding phrases shall be satisfied.

1.2 Initial Deposit

The Corporation hereby deposits with the Trustee the number of its shares as are equivalent to the Plan Benefits earned under the Plan determined as of the

Execution Date. The Corporation may periodically deposit such additional number of its shares or other assets as are equivalent to the Plan Benefits periodically earned under the terms of the Plan subsequent to the Execution Date.

The shares, other assets, income, gains and earnings thereon (collectively defined as the "Fund") shall be allocated to separate accounts established by the Trustee in respect of each participant under the Plan, and shall be held and disposed of as provided in this Agreement.

1.3 Additional Deposits

The Corporation shall irrevocably deposit additional shares or other property in an amount sufficient to discharge all liability of the Corporation under the Plan within the thirty (30) day period beginning on the close of each Accounting Year. No Person shall have any right to compel any additional deposit.

1.4 Absence of Reversion

The Corporation may not direct the Trustee to return to the Corporation or to divert to any Person other than as provided under the Plan any portion of the Fund after this Agreement has become irrevocable and before all Plan Benefits have been distributed pursuant to the Plan.

1.5 Corporation Creditor Claims

Except as otherwise provided in the following paragraph, the Fund shall be held separate and apart from other assets of the Corporation and shall be held and distributed pursuant to the Plan. No Plan participant or beneficiary shall have any preferred claim on or any beneficial ownership interest in any portion of the Fund. Any right created under the Plan and this Agreement shall constitute unsecured contractual rights of Plan participants and their beneficiaries against the Corporation.

The Fund shall at all times be subject to the claims of the Corporation's general creditors under all applicable Federal and state law.

2. Distributions Pursuant to the Plan

2.1 Distribution Dates, Amounts and Form

The Trustee shall distribute the Fund as, when, to the extent and in the form expressed in the Plan or as otherwise directed by the Corporation. If the Fund allocated to each participant's account is not sufficient to make all payments pursuant to such Plan, the Trustee shall notify the Corporation of any such shortfall. The Corporation shall make any shortfall payment.

2.2 Reporting and Withholding of Applicable Taxes

The Trustee shall make provision for the reporting and withholding of any Federal, state or local taxes that may be required to be withheld with respect to distributions pursuant to the Plan.

3. Trustee Responsibility Regarding Distributions in the Event of the Insolvency of the Corporation

If the Corporation shall become insolvent, the Trustee shall stop making distributions pursuant to the Plan during the period of the Corporation's insolvency. If the Trustee stops making distributions pursuant to the Plan and subsequently resumes such distributions, the first distribution shall include the sum of all distributions due pursuant to the Plan, less the sum of the payments made by the Corporation during the period beginning with the cessation of distributions by the Trustee.

The Corporation must inform the Trustee of the Corporation's insolvency. Absent actual knowledge of the Corporation's insolvency by the Trustee, the Trustee shall have no duty to inquire as to the insolvency status of the Corporation. Notwithstanding the failure of the Corporation to advise the Corporation of the Corporation's insolvency, if a Person who claims to be a creditor of the Corporation and alleges the existence of the Corporation's insolvency, the Trustee shall stop making distributions pursuant to the Plan until the Trustee shall have determined that the Corporation is not insolvent. The Corporation shall be considered insolvent if the Corporation is unable to pay its debts as they become due, or if the Corporation is subject to a pending proceeding as a debtor under the United States Bankruptcy Code, or if the Corporation is determined to be insolvent by applicable Federal and state regulatory agencies.

4. Investment Authority

4.1 Nature of Investments

The Trustee shall invest in shares of the Corporation and shall purchase additional shares of the Corporation with proceeds of any cash dividend. Except with respect to voting rights with respect to any share of the Corporation, the Trustee shall exercise all rights with respect to the Fund. The Corporation shall exercise any voting right with respect to any share of the Corporation.

Notwithstanding any provision in this Agreement to the contrary, the Trustee may not loan any portion of the Fund to the Corporation, to any director or to any other Person, directly or indirectly associated with the Corporation, and may not permit the Corporation, a director or any other Person to direct the Trustee with respect to the investment of the Fund.

4.2 Substitution of Assets

The Corporation may periodically substitute assets of equal fair market value for any asset held by the Trustee, exercisable by the Corporation in a non-fiduciary capacity without the approval or consent of any Person in any fiduciary capacity.

5. General Responsibilities of and With Respect to the Trustee

The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; however, the Trustee shall incur no liability to any Person for any action taken or omitted pursuant to the Plan, or a direction given to the Trustee by the Corporation.

5.1 Annual Accountings Required of Trustee

The Trustee shall render an account of its receipts and disbursements and the then current fair market value of the Fund to the Corporation not less often than annually.

5.2 Application of Proceeds

No Person paying money or delivering any property to a Trustee need see to its application.

5.3 Identity of Trustee

First of America Trust Company, shall act as Trustee. If at anytime First of America Trust Company resigns, refuses or is unable or unwilling to act as Trustee, then such Independent Person as the Corporation periodically appoints shall act as Trustee.

"Independent Person" means any corporation authorized to transact trust business in the State of Illinois, no shares of which are owned directly or indirectly by the Corporation or any director of the Corporation.

Any Trustee may be removed by the Corporation; however, no removal shall be effective unless on or before the effective date of the removal, another Trustee is appointed. Any Trustee may resign by giving written notice to the Corporation.

5.4 Merger of Trusts

If a Trustee is holding any trust under this Agreement for the benefit of the Corporation pursuant to the Plan having substantially similar terms, it may consolidate them and hold them as a single trust.

5.5 Responsibility of Successor Trustee for Acts of Predecessor

No successor Trustee shall be responsible for any act or omission of a predecessor. Any successor Trustee shall, with the written approval of such Persons appointing it, accept the accounts rendered without examination or review and the Fund delivered without incurring any liability or responsibility for so doing. Any successor Trustee shall have all the title, powers and discretion of the Trustee succeeded without the necessity of any conveyance or transfer.

Any corporate successor to the trust business of any corporate Trustee shall become Trustee in place of its predecessor without the necessity of any conveyance or transfer.

5.6 Trustee's Fees; Income and Principal Charges

Any Trustee shall be entitled to a reasonable fee for services rendered and reimbursement for reasonable expenses incurred and paid. The Trustee's regular annual compensation shall be paid by the Corporation and if not paid within thirty (30) days from the date the Corporation receives the Trustee's statement, shall be charged half against income and half against principal, except that the Trustee shall have full discretion to periodically charge a larger portion or all against income without being limited to circumstances specified by state law.

5.7 Trustee's Reliance Upon Information

A Trustee may rely upon any notice, certificate, affidavit, letter, telegram, or other paper or document believed to be genuine or upon any evidence deemed by it to be sufficient in making any payment or distribution hereunder. The Trustee shall incur no liability for any payment or distribution made in good faith and without actual notice or knowledge of a changed condition or status affecting any Person's interest in any trust created.

5.8 Waiver of Bond

To the extent that any such requirements can legally be waived, no Trustee shall be required to give any bond as Trustee, to qualify before, be appointed by or, in the absence of breach of trust, account to any court, or to obtain the order or approval of any court in the execution of any power or discretion hereunder.

6. Trustee's Powers

Except as otherwise provided in the following sentence, the Trustee shall have the powers in the following sections and, except to the extent inconsistent with any such power, any others that may be granted by law, none of which may be exercised by either the Corporation or any other Person. The Trustee not carry on a business and dividing gains therefrom within the meaning of Code Regs. §301.7701-2 as periodically amended.

6.1 Allocation of the Fund

The Trustee may allocate different kinds or disproportionate interests in property or undivided interests in property in accordance with the provisions of the Plan.

6.2 Ancillary Administration

The Trustee may appoint a corporation authorized under the laws of the United States or of any state to administer trusts with respect to any portion of the Fund situated in any jurisdiction in which the then acting Trustee is unable or unwilling to act. The Trustee so appointed shall have all the title, powers and discretion with respect to that property that are given to the principal Trustee. The net income from that portion of the Fund and any net proceeds of its sale shall be paid over to the principal Trustee.

6.3 Ascertainment and Allocation of Principal and Income

The Trustee may determine the manner of ascertainment of income and principal and the allocation or apportionment between income and principal of all receipts and disbursements.

6.4 Conservation of the Fund

The Trustee may take any action with respect to conserving or realizing upon the value of any portion of the Fund, and with respect to foreclosures, reorganizations or other changes affecting the Fund. Further, the Trustee may collect, pay, contest, compromise or abandon claims of or against the trust estate wherever situated, and may execute contracts, notes, conveyances and other instruments, including instruments containing covenants and warranties binding upon and creating a charge against the Fund and containing provisions excluding personal liability.

6.5 Depreciation of Tangible Property

The Trustee may establish out of income and credit to principal reasonable reserves for the depreciation of tangible property.

6.6 Distribution or Division of any Portion of the Fund

Except as otherwise provided in the Plan, the Trustee may make any distribution or division of the Fund in cash or in kind, or both, and may continue to exercise any powers and discretion hereunder for a reasonable period after the termination of the Trust, but only for so long as no rule of law relating to perpetuities would be violated.

6.7 Employment of Assistants

The Trustee may employ attorneys, auditors, depositaries, proxies and agents with or without discretionary powers, and may keep any property in the name of a Trustee or a nominee with or without disclosure of any fiduciary relationship, or in bearer form.

6.8 Transfer of Situs of a Trust

The Trustee may transfer the situs of any trust to any other jurisdiction as often as the Trustee deems it advantageous to the trust, appointing a substitute Trustee to itself to act with respect thereto. The Trustee may delegate to the substitute Trustee any or all of the powers given to the Trustee which may elect to act as advisor to the substitute Trustee and shall receive a reasonable fee for so acting. Further, the Trustee may remove any acting substitute Trustee and appoint another or reappoint itself at will.

7. Indemnification, Amendment and Termination

7.1 Indemnification

The Corporation must indemnify, pay and hold harmless the Trustee from or in respect of any claim, due or demand, including any reasonable attorneys' fee, cost and expense incurred, asserted by any Person arising out of any act or omission taken or omitted by the Trustee pursuant to the terms of this Agreement, the Plan or direction by the Corporation.

7.2 Amendment

This Agreement may be amended by a written instrument executed by the Trustee and the Corporation before this Agreement becomes irrevocable.

7.3 Termination

The Agreement shall terminate immediately after all Plan Benefits are distributed pursuant to the terms of the Plan. Upon the termination of this Agreement, the excess of the Fund over all Plan Benefits shall be returned to the Corporation.

8. Choice of Law, Incorporation by Reference, and Interpretive Guidelines

8.1 Choice of Law

The laws of the State of Illinois shall govern the validity, interpretation and administration of this Agreement.

8.2 Incorporation by Reference; Schedules; Internal Revenue Code Sections

The paragraphs under the heading "I. RECITALS:" referred to in this Agreement are a part of this Agreement.

8.3 Interpretive Guidelines

The words and phrases set off by quotation marks in the **Glossary** have the meanings therein indicated. Any word or phrase which appears in this Agreement in parenthesis, set off by quotation marks and capitalized has the meaning denoted by its context. Whenever the words and phrases defined either in the **Glossary** or elsewhere in this Agreement are intended to have their defined meanings, the first letter of such word or the first letters of all substantive words in such phrase shall be capitalized. When the context permits, a word or phrase used in the singular includes the plural, and when used in any gender, its meaning also includes all genders. Captions of Sections are inserted as a matter of convenience only and do not define, limit or extend the scope or intent of this Agreement or any provision hereof.

[The balance of this page is intentionally left blank. The next page begins with Section **9 Glossary**.]

9. Glossary

"Accounting Year" means the twelve (12) consecutive month period beginning January 1, which shall change as, when and to the extent the fiscal year of the Corporation shall change.

"Code" is defined under I. RECITALS: B. This Agreement.

"Corporation" is defined above I. RECITALS:.

"ERISA" is defined under I. RECITALS: C. Unfunded Status.

"Execution Date" means the date upon which this Plan is signed by the last Party to sign this Plan.

"Fund" is defined at Section 1.2 Initial Deposit.

"Person" means an individual, partnership, corporation, trust, unincorporated organization, a government or any department or agency thereof, other business or other entity, or any combination of one or more of the foregoing.

"Plan" is defined under I. RECITALS: A. Adoption of Plan.

"Trustee" is defined above I. RECITALS:.

[The balance of this page is intentionally left blank. The next page begins with Section III. EXECUTION:.]

III. EXECUTION:

The Parties have executed this Agreement on the Execution Date noted below.

Corporation:

RLI Corp.

By: Joseph E. Donnell
Its: Vice President, CEO

Dated: 9-2-98

Attest: Mark D. [Signature]
Its: Treasurer

Dated: September 2, 1998

Trustee:

First of America Trust Company

By: [Signature]
Its: Vice President

Dated: 9/2/98

Attest: [Signature]
Its: Vice President

Dated: 9-2-98

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CERTIFIED

P 615 104 082

MAIL

9/20
9025 North Lindbergh Drive
Peoria, Illinois 61615-1499

RLI

5/24

FIRST CLASS MAIL

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U.S. POSTAGE
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