Plan of Operation

Completed Questionnaire

Narrative

Applicant Name: Contractors Bonding and Insurance Company

NAIC No. 37206
FEIN: 91-1082952

Item 6. Plan of Operation

Contractors Bonding and Insurance Company is already licensed in Illinois as a foreign insurance company.

Applicant Name: Contractors Bonding and Insurance Company NAIC No. 37206
FEIN: 91-1082952

Uniform Certificate of Authority Application
QUESTIONNAIRE

Directions: Each "Yes" or "No" question is to be answered by marking an "X" in the appropriate space. All questions should be answered. If an applicant denotes a question as "Not Applicable" (N/A) an explanation must be provided. Other answers and additional explanations or details may be provided in writing attached to the questionnaire. Please complete this form and file it with the company's application for a Certificate of Authority.

1. I hold the position(s) of Vice President and General Counsel with the applicant.

2. A. Has the applicant transferred or encumbered any portion of its assets or business, or has its outstanding capital stock been directly or indirectly pledged?
   Yes ____ No __x__

   B. Has the applicant merged or consolidated with any other company within the last five Years?
   Yes ____ No _x___

   If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

3. Is applicant presently negotiating for or inviting negotiations for any transaction described above?
   Yes ____ No __x__

   If yes, provide the details in writing and attach to the Questionnaire.

4. Has the applicant ever changed its name?
   Yes ____ No __x__

   If Yes, attach copies of the instruments effecting such transaction certified by the Secretary over corporate seal as a true copy of the originals, including any official state regulatory approvals and filing data.

5. A. Has the applicant undergone a change of management or control since the date of its latest annual statement filed in support of this application?
   Yes ____ No __x__

   B. Does the applicant contemplate a change in management or any transaction that would normally result in a change of management within the reasonably foreseeable future?
   Yes ____ No __x__

   If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

6. Is applicant owned or controlled by a holding corporation?
   Yes _x___ No ____

   A. If yes, attach and make a part hereof an affidavit by an executive officer of the applicant who knows the facts listing the principal owners (10% or more of the outstanding shares) of such holding corporation by name and residence address, business occupation and business affiliations.

      *See Item 7 of the UCAA Primary Application. Specifically 3(f) of the Form B.

7. Is applicant owned, operated or controlled, directly or indirectly, by any other state, or province, district, territory or nation or any governmental subdivision or agency?
   Yes ____ No __x__

   If yes, provide the details in writing and attach to the Questionnaire

8. A. Has the applicant's certificate of authority to do business in any state been suspended or revoked within the last ten years?
Yes ____ No _x___

B. Has its application for admission to any state been denied within the last ten years?
Yes ____ No__x__

If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

9. Has any person who is presently an officer or director of applicant been convicted on, or pleaded guilty or nolo contendere to, an indictment or information in any jurisdiction charging a felony for theft, larceny or mail fraud or, of violating any corporate securities statute or any insurance statute?
Yes ____ No __x__

If yes, provide the details in writing and attach to the Questionnaire.

10. Is applicant presently engaged in a dispute with any state of federal regulatory agency?
Yes ____ No__x__

If yes, provide the details in writing and attach to the Questionnaire.

11. Is applicant a plaintiff or defendant in any legal action other than one arising out of policy claims?
Yes ____ No_x___

If yes, provide a summary of each case and an estimate of company's probable liability, if any, and attach to the Questionnaire.

12. Does the applicant purchase investment securities through any investment banking or brokerage house or firm from whom any of applicant's officers, directors, trustees, investment committee members or controlling stockholders receive a commission on such purchases?
Yes____ No__x__

If yes, provide the details in writing and attach to the Questionnaire.

13. Is applicant a

A. Bank,
Yes ____ No __x__

B. Bank holding company, subsidiary or affiliate
Yes ____ No __x__

C. Financial holding company
Yes ____ No __x__

D. Other financial institution
Yes ____ No _x___

If yes, identify the bank(s), bank holding company(ies) or financial institution and the affiliation of the applicant. Provide the details in writing and attach to the Questionnaire.

14. Has the applicant, within 18 months last preceding the date of this affidavit, done any of the following:?

A. Made a loan to an entity owned or controlled directly or through a holding corporation by one or more of applicant's officers, directors, trustees or investment committee members, or to any such person?
Yes____ No_x___

B. Sold or transferred any of its assets or property, real or personal, to any such entity or person?
Yes____ No__x__

C. Had its outstanding capital stock directly or indirectly pledged for the debt of an affiliate?
Yes _____ No __x___

D. Purchased securities, assets or property of any kind from an entity owned or controlled by one or more of applicant's officers, directors, trustees, or any persons who have authority in the management of applicant's funds (including a controlling stockholder)?
Yes ____ No__x__

If the answer to any of the last four questions is affirmative, did any officer, director, trustee or any person who had authority in the management of applicant's funds (including a controlling stockholder) receive any money or valuable thing for negotiating, procuring, recommending or aiding in such transaction?
Yes ____ No _x___

If yes, provide the details in writing and attach to the Questionnaire.

15. Attach an organizational depiction (in the format of a flow chart) showing the various executive management and directors offices and related material functions that require internal control oversight of the applicant, with the name and official title of those responsible for those offices/functions and the portions of the organization they oversee. Material functions should include, but are not limited, to underwriting, claims adjustment/payments, premium accounting, claims accounting, marketing, financial reporting, and investment management. Note any executive or key staff that have access to funds or bank accounts. Submit a map or narrative explaining where offices are geographically located and the approximate number of employees at each location.

See attached Insurance Operations Organizational Chart and the Branch Plan of Operations.

A. Designate any common facilities and/or any of the above functions that are shared with affiliates.

See attached Branch Plan of Operations.

B. Designate any of the above office/functions that are delegated to third parties;

N/A

C. Attach copies of signed agreements for office functions delegated to either affiliates or third parties.

N/A

D. As applicable, attach a separate chart reflecting any other management positions (if different than what was noted above) that exercise control over insurance operations in other jurisdiction where the applicant company is seeking admission.

N/A

E. Attach any similar information that was submitted to lenders or investment partners.

N/A

16. Provide a detailed description of the applicant's sales techniques. The description should include:

A. Information regarding recruitment and training of sales representatives.

CBIC's products are predominately marketed through brokers and retail agents

B. Identification as to whether the applicant will be a direct writer or will use agents, brokers or a combination thereof.

C. Explanation of the compensation and control to be provided by the applicant to its agents, brokers or sales personnel.

D. Sample copies of any agreements entered into between the applicant and its agents or brokers.

E. If the applicant will use a specific agency or managing general agent, identification of the agency or managing general agent and a copy of the agreement for this arrangement.

F. Sample contract forms of all types used and remuneration schedule, including those for general agents, if any.

MARKETING AND DISTRIBUTION

We distribute our coverages primarily through branch offices throughout the country that market to wholesale and retail brokers and through independent agents. We also market through agencies and more recently through e-commerce channels.

BROKERS

The largest volume of broker-generated premium is in our commercial property, general liability, commercial surety, commercial umbrella, commercial automobile and specialty facultative and treaty reinsurance coverages. This business is produced through independent wholesale, retail and reinsurance brokers. Brokers typically receive compensation in the form of commissions.

INDEPENDENT AGENTS

Our surety segment offers its business through a variety of independent agents. Additionally, we target classes of insurance, such as home business and personal umbrella, through independent agents. Homeowners and dwelling fire is produced through independent agents in Hawaii. Several of these programs involve detailed eligibility criteria, which are incorporated into strict underwriting guidelines and prequalification of each risk using a system accessible by the independent agent. The independent agent cannot bind the risk unless they receive approval from our underwriters or through our automated system. Independent agents typically receive compensation in the form of commissions.

UNDERWRITING AGENTS

We contract with certain underwriting agencies, which have limited authority to bind or underwrite business on our behalf. The underwriting agreements involve strict underwriting guidelines and the agents are subject to audits upon request. These agencies may receive some compensation through contingent profit commission.

E-COMMERCE AND/OR DIRECT

We are actively employing e-commerce to produce and efficiently process and service business including home businesses, small commercial and personal umbrella risks and surety bonding. On a direct basis, we also assume premium on our crop reinsurance treaties.

For (F) – see the attached Producer Licensing and Premium Agreement, Producer Agreement, and the various Addendums.

17. For each state in which the applicant is filing explain:

A. The product lines currently sold or planned by the applicant,

B. Specialty line or lines currently sold and planned,

C. Captive business,

D. The applicant's marketing plan, including a description of the financial, corporate or other connections productive of insurance,

E. The applicant's current and expected competition (both regionally and nationally) and

F. How each state in which admission has been requested fits into the marketing plan. General description of the classes to be transacted is not an adequate response. For example, if the applicant plans to market credit life and disability products tailored for use by credit unions, simply stating that it will transact credit life and disability is inadequate.

After redomestication, CBIC does not have any plans to change its product lines from the lines currently sold. CBIC is admitted to transact business in all 50 states. See UCAA Form 3 to see all lines authorized to transact. Approximately half of the business written by CBIC is admitted property and casualty packages offered to small contractors (ContracPac) and other small-to-medium sized "Main Street" retail businesses. The coverages included in these packages are predominantly general liability, but also have some inland marine coverages as well as commercial automobile and umbrella coverage. These products are predominantly marketed through retail agents. Another large portion of the business written by CBIC are surety bonds, including select miscellaneous and small-contract surety business.

18. If a parent, subsidiary and/or affiliated insurer is admitted for the classes of insurance requested in the pending application, please differentiate the products and/or markets of the applicant from those of the admitted insurer(s).

CBIC is not modifying any of the lines of business already authorized to transact. CBIC's affiliated insurer, RLI Insurance Company, is also admitted to transact all of the same classes of insurance that CBIC is authorized. CBIC specializes in surety bonds and related niche property and casualty insurance products. CBIC is a leading writer of contractor license bonds in the Northwest. RLI only writes a small portion of the same types of business as CBIC. In addition, only a small portion of that business was written in the Northwest. RLI Insurance Company also offers numerous types of coverage that CBIC does not. The management of CBIC and RLI do not feel that the two company's compete with each other, but they supplement each other.

19. Provide a detailed description of the advertising that will be used by the applicant to market its products in each state. Include a detailed explanation as to how the applicant will develop, purchase, control and supervise its advertising.

After redomestication, CBIC does not intend to make any changes to its current marketing and distribution plans. The currently marking and distribution plans have worked well for CBIC for many years, so management has no desire to make any modifications.

MARKETING AND DISTRIBUTION

We distribute our coverages primarily through branch offices throughout the country that market to wholesale and retail brokers and through independent agents. We also market through agencies and more recently through e-commerce channels.

BROKERS

The largest volume of broker-generated premium is in our commercial property, general liability, commercial surety, commercial umbrella, commercial automobile and specialty facultative and treaty reinsurance coverages. This business is produced through independent wholesale, retail and reinsurance brokers.

INDEPENDENT AGENTS

Our surety segment offers its business through a variety of independent agents. Additionally, we target classes of insurance, such as home business and personal umbrella, through independent agents. Homeowners and dwelling fire is produced through independent agents in Hawaii. Several of these programs involve detailed eligibility criteria, which are incorporated into strict underwriting guidelines and prequalification of each risk using a system accessible by the independent agent. The independent agent cannot bind the risk unless they receive approval from our underwriters or through our automated system.

UNDERWRITING AGENTS

We contract with certain underwriting agencies, which have limited authority to bind or underwrite business on our behalf. The underwriting agreements involve strict underwriting guidelines and the agents are subject to audits upon request. These agencies may receive some compensation through contingent profit commission.

E-COMMERCE AND/OR DIRECT

We are actively employing e-commerce to produce and efficiently process and service business including home businesses, small commercial and personal umbrella risks and surety bonding.

20. For each State, explain in detail the following:

A. How the applicant's policies will be underwritten, including the issuance of policies and endorsements,

B. How policies will be cancelled,

C. How premiums and other funds will be handled and

D. How personnel will be trained, supervised, and compensated.

After redomestication, CBIC does not intend to make any changes to the current process as to how policies are underwritten including issuance of policies and endorsements. We currently follow a disciplined underwriting approach and issue policies and endorsements as promptly as possible. Policies are cancelled only when necessary and there is a valid reason for doing so. When a policy is canceled, we are careful to comply with each respective states laws regarding cancellation and/or notice of cancellation requirements. Premiums and other funds are handled as prescribed by all statutory and accounting rules. Personnel are trained frequently depending on the business need. We encourage employees to stay apprised of market conditions and considerations. Employees are compensated based on a variety of factors including experience, work ethic, and other core visions and values of RLI Corp.

21. Explain in detail how the applicant will adjust and pay claims.

A. Describe how you will train, supervise and compensate the personnel handling claims adjusting and claims payment.

B. Provide detailed information as to how and by whom claim reserves will be set and modified.

C. Does applicant pay any representative given discretion as to the settlement or adjustment of claims whether in direct negotiation with the claimant or in supervision of the person negotiating, a compensation which is in any way contingent upon the amount of settlement of such claims?
Yes ____ No __x__

After redomestication, CBIC will handle claims in the same manner as prior to the redomestication. Our claims employees practice strict claims handling guidelines which are in the form of manuals and procedures to promptly and fairly handle claims. Claims personnel undergo various training activities which allow them to competently handle

claims. CBIC employs numerous levels of checks and balances in setting claims reserves and employs various levels of authority depending on an examiners ability and experience among other things.

22. Is applicant a member of a group of companies that shares any of the following:

A. Common facilities with another company or companies
Yes __x__ No ____

B. Services (e.g. accounting personnel for financial statement preparation)
Yes _x___ No ____

C. Or, is a party to a tax allocation agreement in common with another company
Yes __x__ No ____

If the answer to any of the above is Yes, explain the division of costs between participants. If costs are pro-rated, what is the basis for division? Attach a copy of relevant contracts and include a summary of any attached contract.

See the attached Intercompany Services Agreement, Tax Allocation Agreement and see Item 7- CBIC Form B

23. Does applicant have any reinsurance contracts which contracts that in effect provide that applicant will reimburse or indemnify the Reinsurer for losses payable there under?
Yes ____ No__x__

If yes, provide the details in writing and attach to the Questionnaire.

24. Does any salaried employee or officer, exclusive of a director, presently have in force a license as an insurance broker issued by the Washington Department of Insurance?

Yes __x__ No____

If yes, please identify his/her license and position held with applicant.

Jill C. Johnson, Assistant Vice President, Risk Services, Product Support is licensed as an Insurance Producer with authority in Property, Casualty, and Disability for CBIC. WAOIC: 115844 and NPN: 252543.

25. Does applicant have outstanding unexercised stock options?
Yes ____ No __x__

A. If so, to whom and in what number of shares?

B. If options are outstanding for a number of shares greater than 10% of the number of shares presently issued and outstanding, a copy of the option form and of the plan pursuant to which they were granted are attached.

26. Are any of the applicant's policies being sold in connection with a mutual fund or investment in securities?
Yes ____No__x__ Not Applicable ____

If Yes, supply details including all sales literature which refers to the insurance and mutual fund or other investment literature that refers to the insurance and mutual fund or other investment plan connection.

27. If applicant is applying for authority to write Variable Annuities, provide the following:

N/A

a) Copy(ies) of any third party management or service contracts
b) Commission schedules
c) Five-year sales and expense projections
d) A statement from the insurer's actuary describing reserving procedures including the mortality and expense risks which the insurer will bear under the contract
e) Statement of the investment policy of the separate account
f) Copy of the variable annuity prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
g) Copies of the variable annuity laws and regulations of the state of domicile
h) Copy(ies) of the variable annuity contract(s) and application(s)
i) A description of any investment advisory services contemplated relating to Separate Accounts
j) Board of Directors resolution authorizing the creation of the separate account

28. If applicant is applying for authority to write Variable Life Insurance, provide the following:

N/A

a) Copy(ies) of variable life policy(ies) the company intends to issue
b) Name and experience of person(s) or firm(s) proposed to supply consulting, investments, administrative, custodial or distribution services to the company
c) Disclose whether each investment advisor i) is registered under the Investment Advisers Act of 1940, or ii) is an investment manager under the Employee Retirement Income Security Act of 1974, or iii) whether the insurer will annually file required information and statements concerning each investment advisor as required by its domiciliary state
d) Copy of the variable life prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
e) Statement of the investment policy of any separate account, and the procedures for changing such policy
f) Copies of the variable life insurance laws and regulations of the state of domicile
g) A statement from the insurer's actuary describing reserving procedures including the mortality and expense risks which the insurer will bear under the contract
h) Standards of suitability or conduct regarding sales to policyholders
i) Statement specifying the standards of conduct with respect to the purchase or sale of investments of separate accounts (i.e. Board resolution)
j) Board of Directors resolution authorizing the creation of the separate account

29. If applicant is applying for authority to write Life Insurance, has applicant at any time in any jurisdiction while operating under its present management, or at any time within the last five years irrespective of changes in management, taught or permitted its agents to sell insurance by using any of the following devices, or representations resembling any of the following:

N/A

A "Centers of influence" and "advisory board,"
Yes____ No____

B. A charter or founder's policy,
Yes____ No____

C. A profit sharing plan,
Yes____ No____

D. Only a limited number of a certain policies will be sold in any given geographical area;
Yes____ No____

E. "Profits" will accrue or be derived from mortality savings, lapses and surrenders, investment earnings, savings in administration;
Yes____ No____

F. A printed list of several large American or Canadian insurers showing the dollar amounts of "savings", "profits" or "earnings" they have made in such categories.
Yes____ No____

If the answer to any of the above is yes, supply a complete set of all sales material including the sales manual, all company instructional material, brochures, illustrations, diagrams, literature, "canned" sales talks, copies of the policies which are no longer in use, list of states where such methods were used and the date (by year) when they were used, the approximate amount of insurance originally written in each state on each policy form thusly sold, the amount currently in force, and the lapse ratio on each form year by year and cumulatively in gross to the present date.

30. Does the company pay, directly or indirectly, any commission to any officer, director, actuary, medical director or any other physician charged with the duty of examining risks or applications?
Yes_____ No __x___ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire.

The following questions are to be completed only if the company is redomesticating to another state.

31. Does the company have any permitted practices allowed by its current state of domicile?
Yes_____ No __x___ Not Applicable____

If yes, provide the details in writing and attach a copy of the state of domicile's approval to the Questionnaire.

32. Does the company's current state of domicile prescribe any practices of the company that are not in accordance with?
a. Laws, regulations or bulletins of proposed state of domicile;
Yes_____ No __x___ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire.

b. Reserving requirements of proposed state of domicile; or
Yes_____ No __x___ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire.

c. NAIC guidelines
Yes_____ No __x___ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire.

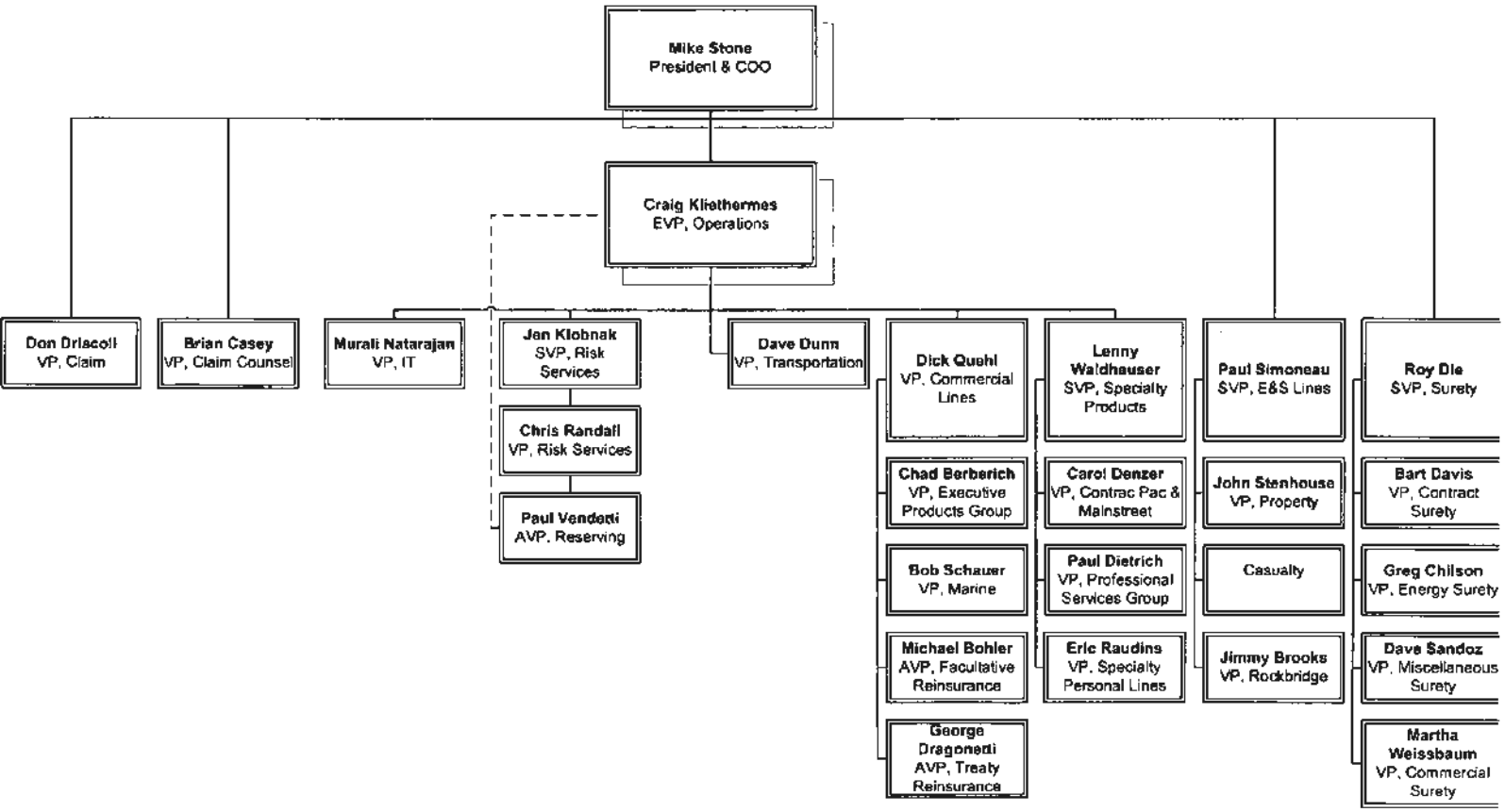
33. Will the company's investments comply with the investment laws, regulations or bulletins of the proposed state of domicile?
Yes__x___ No _____ Not Applicable____

If no, provide the details in writing and attach to the Questionnaire.

34. Does the company have any outstanding surplus notes?
Yes_____ No ___x__ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire and attach copy(ies) of the surplus notes reflecting the state of domicile's approval.

RLI 2014 Insurance Opera s Organizational Chart



CERTIFICATION

The undersigned, Jean M. Stephenson, does hereby certify that she is the Corporate Secretary of RLI Insurance Company, RLI Indemnity Company and Mt. Hawley Insurance Company Illinois corporations, and Contractors Bonding and Insurance Company, a Washington corporation (collectively referred to as "Corporations") and keeper of the corporate records and the Corporate Seals of said Corporations; that the following is a true and correct copy of a resolution adopted by the Boards of Directors on February 27, 2014:

Branch Office Plan of Operation

WHEREAS, in accordance with Illinois Insurance Code (215 ILCS 5/133(2)) all original books and records of the Corporations shall be kept available in Illinois for the purpose of examination. However, original records may be kept and maintained outside Illinois if, according to a plan adopted by the Corporations' Board and approved by the Illinois Department of Insurance, the Corporations maintains suitable records in lieu thereof.

WHEREAS, management of the Corporations has updated the attached Branch Office Plan of Operation ("Plan") applicable to each of the Corporations, and recommends the Plan be approved by the Boards.

NOW, THEREFORE, BE IT RESOLVED, the Plan, a copy of which is attached hereto, is hereby authorized and approved for each of the Corporations; and

FURTHER RESOLVED, the proper officers of the Corporations are hereby authorized to take any and all actions necessary or appropriate to obtain from any regulatory authorities, all regulatory approvals deemed necessary or advisable to carry out and effect the foregoing resolution and the actions therein authorized.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the Corporate Seals of said Corporations this 21st day of March, 2014.

Jean M. Stephenson

Jean M. Stephenson, Corporate Secretary

RLI INSURANCE COMPANY CORPORATE SEAL (SEAL) ILLINOIS

CONTRACTORS BONDING AND INSURANCE COMPANY CORPORATE SEAL (SEAL) 1979 WASHINGTON

RLI INDEMNITY COMPANY (SEAL) SEAL ILLINOIS

MT. HAWLEY INSURANCE COMPANY (SEAL) SEAL ILLINOIS

Branch Office – Plan of Operations
(January 2014)

Applies to:

[X]	Mt. Hawley Insurance Company	[X]	RLI Indemnity Company
[X]	RLI Insurance Company	[X]	Contractors Bonding and Insurance Company

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Introduction. Following is the 'Branch Office – Plan of Operation' for **RLI Insurance Company, Mt. Hawley Insurance Company, RLI Indemnity Company,** and**Contractors Bonding and Insurance Company ("CBIC") (collectively, the "RLI Group")** in compliance with Section 5/133(2) of the Illinois Insurance Code. This *Branch Office -- Plan of Operations* was approved by the Board of Directors of each company on January , 2014 and replaces the December 2012 Branch Office – Plan of Operations. It intended to be effective on going forward basis until revised or replaced. Offices with only CBIC operations are marked "CBIC." The numbers of employees at branch office locations are subject to change.

Location of Documents. All substantive policy and bond documents are maintained at the home office / headquarters in Peoria, Illinois -- in electronic or hardcopy form. Some but not all our branch offices also maintain hardcopy files of certain policy/bond documents produced by that respective branch, which files are either redundant to the home office files or accessible by the Home Office. This is applicable to each of the branch office operations identified below.

Service of Process. Service of process for any branch office with respect to any RLI Group insurance company can be made at the RLI headquarters: 9025 N. Lindbergh Dr., Peoria, Illinois, 61615 – attention: Corporate Secretary

Definitions. *Operational support* as used below refers to personnel in the branch offices that are generally clerical and administrative support in function. These positions support our policy/bond issuance, claims handling and management functions. Not all branch offices have operational support personnel, but typically the larger offices will have such personnel. For branch offices that do not have operational support, that activity occurs either in another branch office or the home office.

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Branch Office Information

Alpharetta, GA

Functions performed in the Alpharetta office include underwriting, issuance of policies, and statistical coding of policy transactions. The following product lines are underwritten: General Liability, Commercial Umbrella, Property, Surety, and Financial Products such as D&O liability. Operational support is provided for the following lines: General Liability, Commercial Umbrella, Property, and E&O. Surety operational support is conducted in the Peoria home office. There are currently approximately 25 employees at this location.

Atlanta, GA

Functions performed in the Atlanta office include underwriting, claims adjusting, issuance of policies, and statistical coding of policy transactions. The following product lines are underwritten: Transportation, Ocean Marine, and Inland Marine. Operational support is provided for the Transportation business. There are currently approximately 50 employees at this location, including a regional HR manager.

Bala Cynwyd, PA

Functions performed in this office include underwriting, issuance of policies, and statistical coding of policy transactions. E&O is the only product line underwritten from this location. Operations staff in this location supports E & O, as well as other P & C coverage written for Design Professionals. There are approximately 29 employees at this location.

Baton Rouge, Louisiana

Functions performed in this office include underwriting, issuance of policies, and statistical coding of policy transactions. Security guards and alarm systems liability is the only product line underwritten from this location; there is no operational support from this location. There are approximately three employees at this location.

Boston, MA

Functions performed in the Boston office include underwriting, issuance of policies, and statistical coding of policy transactions. Property is the only product line underwritten from this location; there is no operational support provided from this location. There are currently two employees at this location.

Broadview Heights, OH

Functions performed in this location include underwriting of General Liability and Surety, as well as marketing for Personal Umbrella with operational support provided for the Surety product only at this location. There are currently seven employees at this location.

Charlotte, NC (CBIC)

Functions perfor5med in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with no operational support from this location. There are currently two employees at this location.

Chester Springs, PA

Functions performed in this location include underwriting, issuance of bonds/policies and statistical coding of bond/policy transactions. Surety is the only product line underwritten from this location, with operations support provided here as well. There are currently five employees at this location.

Chesterfield, MO

Functions performed in this location include underwriting and claims adjusting. Only Ocean and Inland Marine are underwritten from this location. There is no operational support provided from this location. There are currently eight employees at this location.

Chicago, IL

Functions performed in the Chicago office include underwriting, claims adjusting, issuance of policies, and statistical coding of policy transactions. The following product lines are underwritten: General Liability, Property, Ocean and Inland Marine, Surety, and Financial Products such as D&O liability. Operational support is provided for General Liability and Property. There are currently approximately 36 employees at this location.

Columbus, OH

Functions performed in this location include underwriting, issuance of bonds/policies and statistical coding of bond/policy transactions. Surety is the only product line underwritten from this location, with no operations support provided at this location. There is currently one employee at this location.

Davidson, NC (CBIC)

Functions performed in this location include underwriting, issuance of bonds/policies and statistical coding of bond/policy transactions. Surety is the only product line underwritten from this location, with operations support provided at this location. There are currently two employees at this location.

Denver, CO (CBIC)

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with operational support provided at this location. There are currently three employees at this location.

Dewitt, NY

Claim adjusting is the only function performed in this location. There are currently seven employees at this location.

Eagen, MN

Functions performed in this location include underwriting, issuance of policies, and statistical coding of policy transactions for Design Professionals. There are currently twelve employees at this location.

Edmond, OK

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with no operational support from this location. There are currently three employees at this location.

Glastonbury, CT

Functions performed in the Glastonbury office include underwriting, claims adjusting, issuance of policies, and statistical coding of policy transactions. The following product lines are underwritten: General Liability and Commercial Umbrella. Operational support is provided for both the lines and claims adjusting is conducted from this location as well. There are currently approximately 16 employees at this location.

Honolulu, HI

Functions performed in the Honolulu office include underwriting, claims adjusting, issuance of policies, and statistical coding of policy transactions. This branch office underwrites Dwelling Fire and Homeowners business. Operational support is provided for both the lines in this location as well. Policy, claims and other company documents are maintained in this office on a redundant basis with those of the home office. There are currently six employees at this location.

Houston, TX

Functions performed in the Houston office include underwriting, issuance of policies, and statistical coding of policy transactions. This is mainly a Surety operation, although Marine and Property are underwritten from this location as well. Operational Support is provided just for the Surety line. There are currently approximately 10 employees at this location.

Indianapolis, IN

Functions performed at this location include underwriting of bond transactions and claims handling. Surety is the only product line underwritten from this location, with no operational support from this location. There is currently one employee at this location.

Irvine, CA (CBIC)

Functions performed in this location include underwriting, issuance of bonds/policies, and statistical coding of bond/policy transactions. Surety, General Liability and Commercial Package are underwritten from this location. Operational support is provided at this location. There are currently five employees at this location.

Irving, TX

Functions performed in the Dallas office include underwriting, claims adjusting, issuance of policies, and statistical coding of policy transactions. The following product lines are underwritten: General Liability, Commercial Umbrella, Package, Surety, Financial Products such as D&O liability, and Program Business. Operational support is provided for the following lines: General Liability, Property, Surety, and Financial Products. Claims adjusting is also conducted from this office. There are currently approximately 31 employees at this location.

King of Prussia, PA (CBIC)

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with operational support provided at this location. There is currently one employee at this location.

Lee's Summit, MO

Functions performed in this location include underwriting and issuance of policies. Ocean and Inland Marine is underwritten from this location, with operational assistance provided from there as well. There are currently seven employees at this location.

Los Angeles, CA

Functions performed in the Los Angeles office include underwriting, issuance of policies, and statistical coding of policy transactions. The following product lines are underwritten: General Liability, Commercial Umbrella, Property, Surety and Financial Products such as D&O Liability. Operational support is provided for General Liability, Commercial Umbrella, and Property. There are currently approximately 25 employees at this location.

Mt. Laurel, NJ

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with no operational support provided at this location. There are currently two employees at this location.

Madison, WI

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with no operational support provided at this location. There are currently two employees at this location.

Melbourne, FL (CBIC)

Functions performed in this location include underwriting of bond transactions, issuance of bond/policies, and statistical coding of bond/policy transactions. Surety is the only product line underwritten from this location, with operational support provided at this location. There are currently three employees at this location.

New York (Manhattan), NY

Functions performed in the New York office include underwriting and claims adjusting. The following product lines are underwritten: Ocean and Inland Marine, Property, Surety and E&O. Operational support is provided for Marine. There are currently approximately 22 employees at this location.

Oakland, CA

Functions performed in the Oakland office include underwriting, claims adjusting, issuance of policies, and statistical coding of policy transactions. The following product lines are underwritten: Property, Surety, and Financial Products such as D&O liability. Operational support is provided for Property from this location. There are currently approximately 14 employees at this location.

Peoria, AZ

Functions performed in this location underwriting, issuance of bonds, and statistical coding of bond transactions. Only Surety is underwritten from this location, with operational assistance provided there as well. There are approximately nine employees at this location.

Phoenix, AZ (CBIC)

Functions performed in this location include underwriting, issuance of bonds/policies, statistical coding of bond/policy transactions and claim handling. Surety, General Liability and Commercial Package are underwritten from this location. Operational support is provided for each line of business, as is claim adjusting. There are approximately 19 employees at this location.

Portland, OR (CBIC)

Functions performed in this location include underwriting, issuance of bonds/policies, and statistical coding of bond/policy transactions. Surety, General Liability and Commercial Package are underwritten from this location. Operational support is provided for all lines. There are currently nine employees at this location.

Ridgeland, MS

Functions performed in this location include underwriting, issuance of bonds, and statistical coding of bond transactions for Surety. No operational support is provided at this location. There are currently two employees at this location.

Rockville, MD

Functions performed in this location include underwriting, issuance of policies, and statistical coding of policy transactions. Professional Services is underwritten from this location. No operational support is provided at this location. There are currently seven employees at this location.

St. Louis, MO (CBIC)

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with operational support provided at this location. There are currently three employees at this location.

San Francisco, CA

Ocean and Inland Marine is underwritten from this location. The only function performed at this location is underwriting. There are currently seven employees at this location.

Sarasota, FL

Functions performed in this location underwriting, issuance of bonds, and statistical coding of bond transactions. Only Surety is underwritten from this location, with no operational assistance provided at this location. There is currently one employee at this location.

Sarasota Springs, NY

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with no operational support provided at this location. There is currently one employees at this location.

Seattle, WA (CBIC)

Functions performed in this location include underwriting, issuance of bonds/policies, statistical coding of bond/policy transactions and claim handling. Surety, General Liability and Commercial Package are underwritten from this location. Operational support is provided for all lines. There are currently approximately 49 employees at this location.

Sioux Falls, SD

Functions performed in this location include underwriting of bond transactions and claims handling. Surety is the only product line underwritten from this location, with no operational support provided at this location. There are currently three employees at this location.

Spokane, WA (CBIC)

Functions performed in this location include underwriting, issuance of bonds/policies, and statistical coding of bond/policy transactions. Surety, General Liability and Commercial Package are underwritten from this location. Operational support is provided at this location. There are currently five employees at this location.

Stamford, CT

Facultative Reinsurance (Property) is underwritten from this location; there are no other functions performed from this location. There are approximately seven employees at this location.

Tempe, AZ

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, and there is no operational support provided from this branch office. There are currently four employees at this location.

Wexford, PA

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with no operations support provided at this location. There is currently one employee at this location.

Woodland Hills, CA

Functions performed in this location include underwriting of bond transactions. Surety is the only product line underwritten from this location, with no operational support provided at this location. There is currently one employee at this location.

Uwchland, PA

Functions performed in this location underwriting, issuance of bonds, and statistical coding of bond transactions. Only Surety is underwritten from this location, with operational assistance provided there as well. There are currently five employees at this location.

E N D

PRODUCER LICENSING AND PREMIUM AGREEMENT

COMPANY EXTENDS NO BINDING AUTHORITY OF ANY KIND TO ANY PRODUCER

"Company" referred to in this Agreement shall be:

RLI Insurance Company, an Illinois corporation
Mt. Hawley Insurance Company, an Illinois corporation
RLI Indemnity Company, an Illinois corporation

with their principal place of business at 9025 N. Lindbergh Drive, Peoria, Illinois 61615; and

Contractors Bonding and Insurance Company, a Washington corporation

with its principal place of business at 3101 Western Avenue, Suite 300, Seattle, Washington 98121

"Producer" referred to in this Agreement shall be:

<Producer Name>
<Producer Address>

Producer No. <Producer #>

I. APPOINTMENT OF PRODUCER

In consideration of the mutual covenants and agreements expressed herein, the Company hereby appoints the Producer as a Producer, on a non-exclusive basis, for the purpose and upon all the terms and conditions of this Agreement of producing insurance in all states and for all the classes of risk in which the Company is authorized to write, except as noted on the attached Addendum A.

II. LICENSING

The Producer hereby warrants to the Company that the Producer is properly licensed to transact business as an agent or broker in accordance with the provisions of the insurance laws of any state in which the Producer transacts business. If the Producer attempts to procure insurance on behalf of someone residing in a state in which the Producer is not licensed, the Producer shall be responsible for the proper procurement of insurance through a validly licensed agent or broker and shall assure that all applicable filings are made and taxes paid.

The Producer will provide to the Company evidence of the Producer's license as an agent or broker for the state or states in which the Producer's office is located in accordance with any and all procedures established by the Company. The Producer acknowledges that an agency license does not, of itself, constitute a principal/agent relationship between the Company and the Producer.

III. GUARANTY OF PAYMENT

The Producer is responsible for and agrees to pay the Company all premiums, whether advance, deposit, developed, audited additional, renewal or otherwise, whether or not collected by the Producer, and whether such premiums are obtained from business produced by the Producer or any of its subproducers.

The Producer further agrees that such payment is due to the Company as specified in the Company's invoice or statement and is due whether or not the Producer has collected the premium. The Producer

further agrees that the Producer shall be liable and shall pay a return commission at the same rate as originally credited to the Producer for all return premium adjustments or cancellations made at the option of the Company, the Insured, or otherwise. The Producer agrees to promptly refund to the insured, subproducer or premium finance company (if any) all return premium received by the Producer from the Company.

In the event any premium payments due under the terms of this agreement are not paid as provided herein, all premiums become due and payable immediately. The Producer will be liable for any fees or expenses the Company incurs as a result of any legal action the Company takes to collect such amounts due, including interest, to the extent allowed by law.

Failure by the Producer to report or pay due premium items or report discrepancies to the Company will be considered as an indication to the Company that the policy or other premium bearing items should be cancelled by the Company. The Direct Notice of Cancellation will be sent to the Insured and a copy will be sent to the Producer. *The Producer is responsible for payment of any earned premiums.*

The Producer shall remit premiums for all policies written on an "installment pay plan" net of any commissions to the Company on a monthly basis.

The Company may elect to "direct bill" accounts written on an installment pay plan. Commissions will be paid to the Producer on a monthly basis following receipt of installment payment(s). In the event endorsements generate return premiums the Producer agrees to return commissions previously paid on unearned endorsement premiums.

All return premiums net of any commissions, are due and payable to the Producer not later than thirty (30) days following the end of each calendar month.

IV. COMMISSIONS

The Producer agrees to retain out of premiums collected, as full compensation, such commissions as shall be agreed upon by the Company as to the business accepted by the Company. The Producer agrees that the Producer shall be solely responsible for any commission the Producer may negotiate with any other subproducer.

V. RECORDS

The Producer agrees, upon reasonable advance notice from the Company, to make the Producer's accounting, claim, underwriting and other financial records relating to business submitted to the Company available to the Company for inspection and audit at any reasonable time during normal business hours. The Producer agrees to abide by the Company's privacy policy, as amended from time to time, and all applicable state and federal laws regarding protecting private and/or confidential information. The Producer shall make available to the Director of the Illinois Department of Insurance or Director's designees all books, records and documents pertaining to the Producer's insurance business.

VI. CLAIMS

The Producer agrees to promptly report to the Company all claims, deliver all relevant claims information involving coverages placed with the Company and to cooperate fully with the Company to facilitate the investigation and adjustment of any claim. The Producer agrees to not appoint any adjuster or attorney to represent the Company on any claim without the written permission of the Company.

VII. ADVERTISING

The Producer agrees to not publish or distribute or authorize others to publish or distribute any advertising materials or other written material referring to the Company or to the Company's insurance without prior submission and written approval from the Company.

VIII. FEES AND EXPENSES

The Producer agrees to be responsible for expenses which the Producer incurs including all license fees, appointment fees, countersignature fees, and any surplus lines taxes.

IX. INDEMNITY

The Producer agrees to indemnify and hold the Company harmless for any fines or penalties assessed against the Company by any governmental authority or other liabilities incurred by the Company including, but not limited to, legal fees arising as a result of alleged or actual actions, inactions or transactions by the Producer or persons appointed by or acting under the Producer's direction or from whom the Producer has received insurance proposals. In addition, the Producer agrees to defend and indemnify the Company from and against any and all claims, liabilities, loss, costs, damages, attorneys' fees and expenses of whatever kind or nature which the Company may sustain arising out of or related to any wrongful act or omission of the Producer or the Producer's officers, employees, agents, subagents, subproducers, and representatives. The Producer shall not be obligated to indemnify or hold the Company harmless for any fines or penalties assessed against the Company if the Producer's actions or inactions were in compliance with written instructions from the Company.

X. ERRORS AND OMISSIONS COVERAGE

The Producer agrees to purchase, at the Producer's own expense and maintain in force as of the effective date of this Agreement, errors and omissions coverage per the attached Schedule from an insurer acceptable to the Company. The Producer agrees to promptly furnish the Company with a Certificate of Insurance which shall provide 30 days advance notice to the Company of any cancellation of insurance. Upon request by the Company, the Producer agrees to furnish a complete copy of the insurance policy and any amendments or endorsements thereto. The Producer agrees to immediately notify the Company if the Producer's errors and omissions coverage is cancelled mid-term or otherwise not renewed.

XI. FIDUCIARY RESPONSIBILITY

The Producer agrees to hold all amounts collected by the Producer acting in the capacity of Producer for the account of the Company in a fiduciary account in accordance with the laws of the state in which the fiduciary account is located. The laws of certain states require the Producer to obtain the written permission of the insurer before depositing premium funds in interest bearing accounts. The Producer agrees it is the Producer's responsibility to request and obtain such permission from the Company when so required by the laws of that state. Permission granted under this provision may be withdrawn at any time upon written notification to the Producer by the Company.

XII. APPROPRIATENESS OF COVERAGE

The Producer agrees that the Company assumes no responsibility toward any policyholder or subproducer with regard to the adequacy, amount or form of coverage obtained from the Company.

XIII. INSURANCE FRAUD PREVENTION ACT

The Producer represents and warrants that neither it nor or anyone who works for the Producer nor any subproducer has been convicted of any criminal felony involving dishonesty or a breach of trust, nor

been convicted under the Insurance Fraud Prevention Act, Title 18, United States Code, Section 1033. The Company may rely on this representation and warranty until otherwise notified by the Producer.

XIV. INVESTIGATION

The Producer hereby consents to allow the Company to conduct any criminal, financial, character or other background check of the Producer and the Producer's agency or brokerage (including any principals thereof) at any time without further notice or consent required.

XV. TERMINATION

This Agreement may be terminated:

- At any time by mutual agreement.
- If any relevant state authority cancels or declines to renew the Producer's license to do business or the Company's Certificate of Authority.
- Automatically on the effective date of sale, transfer or merger of the Producer's business.
- Automatically in the event of bankruptcy, insolvency or liquidation of the Producer.
- By one party providing the other party prior written notice of at least thirty (30) days, or such longer time period as may be required by law.
- By the Company if Producer fails to pay over premium, commits fraud or otherwise breaches this agreement, which termination shall be immediate.

The above represents all of the terms and conditions upon which the Producer submits business to the Company.

The effective date of this Agreement is <Effective Date>.
Producer No. <Producer #>

Name: _____

Must be an owner, partner or authorized officer

Signature: _____

Title: _____

Date: _____

RLI Insurance Company
Mt. Hawley Insurance Company
RLI Indemnity Company
Contractors Bonding and Insurance Company
Schedule to Producer Licensing and Premium Agreement
Required Errors and Omissions Coverage

Product	Producer's Total Revenue	Min E&O Limit
Any Commercial Product	$500,000 or less*	$ 1,000,000
Any Commercial Product	$500,001 or more*	$ 5,000,000
Any Commercial Product	N/A – All Nat'l Wholesalers	$10,000,000
Program Business	N/A – Applies to all producers	$ 5,000,000

* - Applies to non Nat'l Wholesalers

ADDENDUM A
To
Producer Licensing and Premium Agreement
Between
RLI Insurance Company, Mt. Hawley Insurance Company, RLI Indemnity Company
And
Contractors Bonding and Insurance Company
And
<Producer Name>

Effective <Effective Date>

The Agreement does not apply to the following risks and/or programs, which are governed by other agreements:

Personal Umbrella
Home Business Insurance
Hawaii Homeowner's
e-XS Commercial Umbrella
Program/Target Market Specialists
Marine (excluding inland marine endorsements on general liability policies)
Surety (including contract, miscellaneous, commercial and oil/gas/energy bonds, but excluding bonds written under Contract Pac or related contractor license or janitorial bonds in state of Washington or Oregon)

PRODUCER AGREEMENT

This Producer Agreement ("Agreement"), dated as of _____ is entered into by and between **RLI Insurance Company**, **RLI Indemnity Company**, and **Contractors Bonding and Insurance Company**, each with an address of 9025 North Lindbergh Drive, Peoria, Illinois 61615 (individually and collectively, "Company") and John Doe Agency, with principal place of business at _____ ("Producer").

Company and Producer agree as follows:

1. Term of Agreement

This Agreement will commence on the date set forth above and will continue until terminated in accordance with this Agreement.

2. Authority of Producer

(a) Producer is authorized to act as a producer for Company, on a nonexclusive basis, in any jurisdiction in which Producer is duly licensed, only for those surety segments identified in the Addendum(s) attached as Addendum A and incorporated herein by reference, as amended from time-to-time.

(b) Producer is authorized to solicit and receive applications, and all applicable premiums and associated additional payments for insurance policies or surety bonds on behalf of Company. Producer is further authorized to act in accordance with any duly authorized Power of Attorney issued by Company and received by Producer. This authorization is subject at all times to Company underwriting standards and rules. Company may change those standards and rules at any time and will notify Producer of any such changes. This authorization, and any power and authority given to an Attorney in Fact under a Power of Attorney, may be revoked at any time by Company at its sole discretion, with or without cause.

(c) Producer agrees that it has no authority:

(i) without prior written consent of Company, to bind or to cause to have bound any risk or insured to Company or to issue or cause to be issued any binder, policy, or bond endorsement or certificate or to otherwise bind coverage on behalf of Company;

(ii) without prior written consent of Company, to waive or extend any conditions of policy, bond, or application or to make, vary, or discharge any policy contract or surety bond;

(iii) without prior written consent of Company, to extend the time for payment of premium;

(iv) to make representations on behalf of Company including, but not limited to, representations regarding the application of coverage to specific situations;

(v) to incur any liability on behalf of Company;

(vi) to execute surety bonds without prior approval of Company, unless Company specifically grants authority in writing through a limit of authority letter or line of credit relating to a specific surety bond or bonds;

(vii) to act in any way as an agent of Company;

(viii) to act in contravention of the express power and authority granted in any duly authorized Power of Attorney issued by Company and received by Producer. If there is a conflict between the terms of this Agreement and the terms of any Power of Attorney, the terms of this Agreement will control.

(d) A report of all bonds and other policies or instruments issued will be made to Company no later than ten (10) days from the date of issuance, unless a different period of time is agreed to in writing by Company.

(e) Unless there is a properly-executed General Indemnification Agreement with the insured/principal, Producer will submit completed applications on all accounts subject to this Agreement to the Company within thirty (30) days of issuance of a policy or bond. Any binders, certificates or other evidence of coverage including policy or surety forms will be in a form designated by Company. Company reserves the right to amend or change such forms at any time.

(f) Producer will conduct business under this Agreement in the best interests of Company and will advance and protect the interests of Company in all matters connected therewith.

3. Commission

(a) As compensation for policies of insurance or surety bonds produced by Producer under this Agreement, Company agrees to pay a commission to Producer at the rate(s) shown on the attached Addendum(s). Company authorizes Producer to retain commission due out of net premiums collected (other than on a direct bill basis) for such policies of insurance or surety bonds. Net premiums written is defined as gross premiums, less cancellation and return premiums. Company reserves the right to change the commission rate at any time upon written notice to Producer.

(b) Producer acknowledges and agrees that notwithstanding the foregoing, no commission will be due Producer from Company for transactions in which Producer receives a fee or other compensation from an insured/principal (a "net deal"). Producer waives any claim it may have to any commission from Company whether or not such fee or other compensation is actually paid to Producer by the insured/principal in connection with any such net deal. Producer will pay a return commission to Company at the same rate as originally credited to Producer for all return premium adjustments or cancellations made at the option of Company, the insured, or other authorized parties.

(c) Producer agrees to make any and all disclosures of this commission arrangement as may be required by judicial or administrative order, law or other regulatory authority, or by Company in its sole discretion.

4. Premiums and Accounting

(a) Producer will remit to Company all premiums associated with an issued policy of insurance or surety bond, whether or not collected, no later than 45 days from the end of the month the new or renewal policy of insurance or surety bond was issued or effective, whichever occurs later. Payments not made when due are considered delinquent, and Company reserves the right to collect delinquent premium from any source, including the insured or the principal. Producer waives all rights to commission on delinquent premiums collected by Company.

(b) All premiums, taxes, and fees arising as a result of this Agreement, whether collected or uncollected by Producer are the property of Company and will be held by Producer in a fiduciary capacity for Company in an account designated exclusively for premiums due insurance companies until delivered to Company or Producer for its proper share of commission. Producer will abide by all laws and regulations governing this fiduciary responsibility in accordance with the laws of the state in which the fiduciary account is located. The keeping of an account with Producer on Company's books, as a creditor or debtor account, will be deemed to be a record memorandum of business transacted, and neither the: (i) keeping of such account, (ii) alteration in commission amount, (iii) failure to enforce prompt remittance, (iv) compromise, settlement, or declaration of balance of account, nor the (v) suspension or termination of this Agreement, will be held to waive assertion of the trust relationship as to premiums collected by Producer.

5. Compliance

(a) Producer represents and warrants to Company that (i) it, and each of its individual principals and employees who will perform services pursuant to this Agreement, has all necessary licenses and authority to conduct business which is the subject of this Agreement; (ii) said licenses and authority will be maintained in full force and effect during the term of this Agreement, and (iii) neither Producer, nor anyone of its individual principals and employees who will perform services pursuant to this Agreement, has been convicted of any criminal felony involving dishonesty or a breach of trust, nor has been convicted under the Insurance Fraud Prevention Act, Title 18, United States Code § 1033. Producer will promptly notify Company in writing in the event that any regulatory body should revoke, suspend, or refuse to renew any such applicable license, registration, qualification, or authority to conduct business which is the subject of this Agreement.

(b) Producer will comply with (i) all applicable laws and regulations in the performance of its obligations hereunder; (ii) the general standards, rules, and regulations of the insurance industry; and (iii) all written instruction with regard to the policies and bonds provided to Producer from time-to-time by Company.

6. Claims

Producer will promptly report to Company all claims on policies and bonds issued pursuant to this Agreement. Producer agrees to cooperate fully with Company to facilitate the investigation and adjustment of any claim. Producer may not appoint an adjustor or attorney to represent Company on any claim without the prior written permission of Company.

7. Errors and Omissions Coverage

Producer agrees to maintain, at Producer's expense, errors and omissions coverage in an amount set forth on the Errors and Omissions Coverage Addendum, attached hereto as Addendum B and incorporated herein by this reference, with an insurer acceptable to Company.

8. Termination

(a) At any time, without cause and upon 30 days (for all new business submissions) and 90 days (for all renewal business) prior written notice to the other party, either party may terminate: (i) this Agreement, (ii) a Producer's authority with regard to a particular line of business for which authority is granted, or (iii) a particular Producer location or office.

(b) This Agreement will automatically terminate when: (i) any state authority suspends, cancels, or declines to renew Producer's license to do business, or (ii) Producer engages in acts or omissions constituting fraud, insolvency, misappropriation of funds, material misrepresentation, or gross or willful misconduct.

(c) In addition, Company may immediately upon written notice terminate this Agreement in whole or in part:
(i) on the effective date of any sale, transfer, or merger of all or part of Producer's business;
(ii) on the death or disability of Producer (if Producer is an individual) or the dissolution of Producer (if Producer is a business entity);
(iii) in the event of bankruptcy, insolvency, or liquidation of Producer;
(iv) if Producer fails to render timely and proper reports or premium accounting as required, or to remit premiums when due after 3 days written notice from Company;
(v) if Producer fails to maintain premium funds in the amount and manner required in this Agreement;

(vi) if fraud or other misconduct by Producer, its employees, agents, representatives, or any subproducer is reasonably believed to exist or have existed; or

(vii) if Producer fails to permit Company to inspect or audit any records or files relating to this Agreement; or

(viii) if Producer breaches any warranty or obligation under this Agreement or the Power of Attorney (other than a breach otherwise addressed in this Section 9) and fails to cure such breach within 5 days following notice of such breach.

(d) Each time period for notice of termination of the Agreement in subsections (a) - (c) above is subject to any different time period for such notice that may be required under the Illinois Insurance Code.

(e) In the event that authority with regard to a particular surety segment is terminated, Producer will comply with the termination obligations contained herein as they relate to the surety segment for which authority has been terminated. This Agreement will continue in full force and effect with regard to all other surety segments for which authority has been granted without the necessity of further action by the parties or amendment of this Agreement.

(f) Upon termination of this Agreement, in whole or in part:

(i) Producer will complete the collection of all premiums and/or other funds due in accordance with the terms of this Agreement;

(ii) If Producer has promptly accounted for and paid over all amounts due to Company under the terms of this Agreement, the ownership, use, and control of the records and expirations of business written pursuant to this Agreement will remain the property of Producer. If Producer has not promptly accounted for and paid over all Company's funds due to Company under the terms of this Agreement, the ownership of the records and expirations will vest in Company, which will have the sole right to use and control them to the extent of Producer's obligations to Company, unless Producer provides other security acceptable to Company. Notwithstanding the foregoing, Company reserves all of its rights to cancel any surety bonds or insurance policies continued in force for non-payment of premium or for underwriting reason;

(iii) Producer will continue to perform all customary and necessary services for all in-force policies or bonds issued in accordance with the provisions of this Agreement until such time as all such policies or bonds have been cancelled, non-renewed, or otherwise terminated; provided, however, that Company may, in its sole discretion, immediately suspend or terminate Producer's continuing servicing obligation hereunder;

(iv) Producer will immediately return to Company any Company corporate seal(s) and any unused powers of attorney, policies, certificates, endorsements, and any other unused supplies with Company's name imprinted thereon; and

(v) Producer agrees to eliminate or erase all computer software provided by Company for the purpose of application submission.

9. Indemnification

(a) Producer will defend and indemnify Company from and against any and all claims, losses, damages, liabilities, judgments, and settlements (including reasonable costs, expenses, and attorneys' fees), of whatever kind or nature, which Company may sustain arising out of or related to any wrongful act or omission of Producer or Producer's officers, employees, agents, subagents, and representatives, including but not limited to (i) the improper execution or other use or inadequate control of any forms or other documentation, including without limitation, a Power of Attorney, supplied to Producer by Company, (ii) a failure by Producer to perform its duties and obligations under this Agreement, or (iii) Producer's failure to promptly report any bonds written for Company. Producer's obligations under this paragraph will survive termination of this Agreement.

(b) Producer will indemnify Company for any fines or penalties assessed against Company by governmental authorities arising solely as a result of actions, inactions, or transactions by Producer or parties appointed by or under the direction of Producer. Producer will provide immediate repayment to Company for any liability incurred by reason of the foregoing.

(c) Company will defend and indemnify Producer from and against all claims, losses, damages, liabilities, judgments, and settlements (including reasonable costs, expenses, and attorneys' fees) Producer may sustain due to any wrongful act or omission of Company arising out of this Agreement, but not to the extent that Producer or those for whom Producer is responsible has or have caused, contributed to, or aggravated such act or omission. Producer will promptly notify Company when Producer receives notice of any claim or legal action, and Company will have the right, as their interests may appear, to investigate any such claim and to participate in or assume the defense of any such legal action. Producer may at any time retain its own legal counsel at its own expense.

10. Inspection of Records

All accounting, claim, underwriting, and other financial records relating to the business submitted to Company will be subject to inspection and audit by Company at any reasonable time.

11. General Provisions

(a) Producer will immediately notify Company upon notice or receipt of any complaint with any state insurance department or other regulatory authority relating to policies or bonds issued pursuant to this Agreement. In such case, Producer must provide Company with a proposed written response to such complaint and a copy of all documentation relating to the complaint including, but not limited to, a written summary of all facts relevant to the complaint.

(b) Producer will promptly notify Company of the termination of employment or other affiliation with Producer of any Attorney in Fact under a power of attorney issued by Company and received by Producer.

(c) All supplies provided to Producer or authorized to be used by Producer by Company will remain the property of Company and must be returned immediately upon request. Upon termination of this Agreement or Producer's authority hereunder, at Company's request, Producer must return to Company all property that Company may request.

(d) If Company provides access to Company information or networks through computer access, Producer will be responsible for maintaining the security and integrity of such information and of Company's systems. Additionally, Producer is responsible to ensure that Producer's employees, agents, and representatives are aware of the sensitive and proprietary nature of the information obtained, of the importance of confidentiality, and of the conditions described in this subsection.

(e) Each party agrees to abide by the other party's privacy policy, as amended from time-to-time, and will use commercially reasonable measures to protect private and confidential information of the other party and the policyholders and bondholders.

(f) Company will not be responsible for expenses incurred by Producer, whether on Producer's or Company's behalf. Producer agrees to pay expenses for all Producer license and appointment fees.

(g) Each party agrees that it will not broadcast, publish, or distribute any advertising materials or other material referring to the other party, unless such material has been supplied to such party by the other party or such party has received the written approval of the other party.

(h) It is expressly understood and agreed that (i) there are no promises, agreements, or understanding other than those contained in this written Agreement, (ii) all prior understandings or agreements are hereby superseded whether written or oral, and (iii) no agent, employee, or other representative of Company has any authority to obligate Company by any terms, stipulations, or conditions not herein expressed unless the same be in writing and attached to and made a part of this Agreement.

(i) All notices, requests, communications, and demands under this Agreement must be in writing and must be duly given if delivered in person or sent by registered or certified mail with postage prepaid to the party entitled to notice at the addresses indicated in the beginning of this Agreement.

(j) Nothing in this Agreement may be construed to imply an employer-employee relationship between Producer and Company. Producer is an independent contractor and is not employed in any manner by Company.

(k) The waiver of a party of any breach of this Agreement, whether in a single instance or repeatedly, will not be construed as a waiver of rights under this Agreement to terminate the same because of similar or additional breaches. Further, such waiver will not in any manner be construed as a waiver by the other 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 such breach.

(l) Each party will 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. The parties acknowledge and agree that each Addendum to this Agreement forms an integral part of the Agreement, and that any such Addendum may be modified by Company from time to time without need to further amend the Agreement. Any such modification will be effective upon notice to Producer and will supersede the modified Addendum.

(m) This Agreement will be interpreted according to the laws of the State of Illinois without regard to or application of choice-of-law rules or principles.

(n) Producer may not assign any rights or delegate any duties under this Agreement unless allowed under applicable state law and only if Producer has obtained the prior written consent of Company, which consent may not be unreasonably withheld.

EXECUTION

IN WITNESS, WHEREOF, the Parties hereto have executed this Agreement on the Dates noted below.

Producer:	**RLI Insurance Company** **RLI Indemnity Company** **Contractors Bonding and Insurance Company**
By: _____	By: Dave Sandoz
Name: _____	Name: Dave C. Sandoz
Title: _____	Title: Vice President
Date: _____	Date: April 8, 2014

Addendums to Producer Agreement:

A - Addendum(s) to Producer Agreement
B - Errors and Omissions Coverage Addendum to Producer Agreement

Addendum B to Producer Agreement by and between
RLI Insurance Company, RLI Indemnity Company, and Contractors Bonding and Insurance Company, and
John Doe Agency

REQUIRED ERRORS AND OMISSIONS COVERAGE ADDENDUM

This Addendum B by and between **RLI Insurance Company**, **RLI Indemnity Company**, and **Contractors Bonding and Insurance Company** (individually and collectively, "Company") and John Doe Agency ("Producer"), effective as of the _____ day of _____, _____, is intended to supplement that certain Producer Agreement by and between Company and Producer dated as of _____ (the "Agreement").

Producer agrees Company may at any time or times modify this Addendum B with prior notice to Producer, and the Addendum B as modified will supersede this Addendum B and be binding upon Producer.

Minimum E&O Limit: $ 1,000,000.00

RLI Surety
P.O. Box 3967 | Peoria, IL 61612-3967
Phone: (800)645-2402 | Fax: (309)689-2036
www.rlicorp.com

ADDENDUM NO. 1 TO PRODUCER AGREEMENT

This Addendum 1 by and among **RLI Insurance Company/Contractors Bonding and Insurance Company** (collectively, the "Company") and John Doe Agency ("Producer"), effective as of the 1st day of January, 2011, is intended to supplement that certain Producer Agreement by and among Company and Producer dated as of September 9, 1995, (the "Agreement"). This Addendum 1 to Producer Agreement is effective this 1st day of January, 2011.

WITNESSETH

WHEREAS, **RLI Insurance Company** and Producer have executed that certain Producer Agreement effective the 9th day of September, 1995; and

WHEREAS, Producer now desires to have the ability to produce business through **Contractors Bonding and Insurance Company**, a(n) Washington insurance company affiliated with **RLI Insurance Company**.

NOW THEREFORE, the parties hereto agree to amend the Producer Agreement in accordance with the terms hereof.

1. **Contractors Bonding and Insurance Company** is hereby added as a party to the Agreement effective January 1, 2011 as an insuring company with all the rights and obligations contained in said Agreement.

2. All other terms and conditions of the Agreement remained unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

RLI Insurance Company/Contractors Bonding and Insurance Company

By: Dave Sandoz

Dave Sandoz

Its: Vice President

Dated: September 11, 2014

John Doe Agency

By: _____

Its: _____

Dated: _____

Addendum A-3 to Producer Agreement by and between
RLI Insurance Company, RLI Indemnity Company, and Contractors Bonding and Insurance Company, and
John Doe Agency

ADDENDUM - MISCELLANEOUS SURETY

This Addendum A-3 by and between RLI Insurance Company, RLI Indemnity Company, and Contractors Bonding and Insurance Company (individually and collectively, "Company") and John Doe Agency ("Producer"), effective as of the 8th day of April, 2014, is intended to supplement that certain Producer Agreement by and between Company and Producer dated as of _____ (the "Agreement").

Producer agrees Company may at any time or times modify this Addendum A-3 with prior notice to Producer, and the Addendum A-3 as modified will supersede this Addendum A-3 and be binding upon Producer.

Producer is granted authority pursuant to Section 2 of the Agreement for the Miscellaneous surety segment in those jurisdictions in which Producer is duly licensed, subject to the provisions contained in the Agreement. No authority is given to Producer by this Addendum A-3 for any other surety segment of Company.

Section 2(c) of the Agreement is hereby supplemented by inclusion of the following: "Notwithstanding the provisions of subsections (c)(i)-(viii) above, in the case of any bond issued in the Miscellaneous surety segment, Producer has the authority to execute and issue such surety bond in accordance with, and subject to the limitations of authority set forth in, any valid power of attorney for Miscellaneous bonds issued by Company and received by Producer."

The first sentence of Section 2(e) of the Agreement is hereby deleted and replaced with the following: "Unless there is a properly-executed General Indemnification Agreement with the insured/principal, Producer will submit completed applications, when applicable, on all accounts subject to this Agreement to the Company within thirty (30) days of issuance of a policy or bond.

Commission Scale - Miscellaneous Surety Segment

Notary Errors and Omissions Insurance	30%
Various Illinois Bonds: Notary Insurance Producer Mileage Tax Schedule Bond for Second Division Motor Vehicles License and Permit for County, City, Town or Village only	35%
Fidelity Blanket Bonds (Primary Commercial and Blanket Position)	20%
Individual and Schedule Bond (including Public Employee Blanket Bonds)	30%
Contract	to be negotiated

Producer Name: John Doe Agency

Signed: _____

Printed Name: _____

Illinois

Date: _____

Addendum A-1 to Producer Agreement by and between
RLI Insurance Company, RLI Indemnity Company, and Contractors Bonding and Insurance Company, and
John Doe Agency

ADDENDUM - CBIC CONTRACT SURETY

This Addendum A-1 by and between **RLI Insurance Company**, **RLI Indemnity Company**, and **Contractors Bonding and Insurance Company** (individually and collectively, "Company") and John Doe Agency ("Producer"), effective as of the _____ day of _____, _____, is intended to supplement that certain Producer Agreement by and between Company and Producer dated as of _____ (the "Agreement").

Producer agrees Company may at any time or times modify this Addendum A-1 with prior notice to Producer, and the Addendum A-1 as modified will supersede this Addendum A-1 and be binding upon Producer.

Producer is granted authority pursuant to Section 2 of the Agreement for the Contract Surety segment in those jurisdictions in which Producer is duly licensed, subject to the provisions contained in the Agreement. No authority is given to Producer by this Addendum A-1 for any other surety segment of Company.

Commission Scale - CBIC Contract Surety Segment

Contract Bonds		
Contract Amount		
First	$2,500,000	30%
Next	$2,500,000	15%
Next	$2,500,000	12.5%
Over	$7,500,000	5%
Non Contract Surety Bonds		30%
Fidelity Bonds		20%
First Step, Next Step, and SBA Bonds		To Be Negotiated

Negotiated commissions shall take priority over this schedule.

Producer Name: John Doe Agency

Signed: _____

Printed Name: _____

Date: _____

1213 Valley Street
P.O. Box 9271
Seattle, WA 98109-0271
(206) 622-7053
(800) 765-CBIC National
(206) 382-9623 FAX

AGENCY AGREEMENT

THIS AGREEMENT made by and between CONTRACTORS BONDING AND INSURANCE COMPANY ("CBIC"), a Washington corporation, and the insurance agency identified in Master Signature Document ("MSD") paragraph 1(a) ("Agent"). Agent's business entity is as set forth in MSD paragraph 1(b).

WITNESSETH :

1. APPOINTMENT, STANDING AND LICENSING

1.1 CBIC shall appoint Agent for the limited and exclusive purpose of acting, subject to the terms and conditions of this Agreement, as an agent for the production of the type of Insurance Business set forth in MSD paragraph 1(g) in the state(s) indicated in MSD paragraph 1(c) .

1.2 Agent is an independent contractor, and shall not be construed as an employee of CBIC. Agent shall exercise exclusive and independent control of Agent's time and the conduct of Agent's business. Agent warrants that Agent has and will maintain at all times errors and omissions insurance with minimum per occurrence and aggregate limits set forth in MSD paragraph 1(e), and that: (a) Agent will arrange to have the Certificate for such insurance specify that CBIC will be given ten days notice prior to Cancellation; (b) Agent will immediately deliver a copy of such Certificate to CBIC, and this Agreement shall not take effect until such Certificate is delivered to CBIC; and (c) Agent shall notify CBIC at least ten days prior to the Cancellation of such insurance.

1.3 Agent warrants that Agent is duly licensed and in good standing as an (a) Insurance agent under the laws of the state indicated by Agent as Agent's address below Agent's signature line, and (b) as an insurance agent and/or broker in all states set forth by Agent where indicated in MSD paragraphs 1(c) and (d). Agent shall deliver to CBIC with a copy of this Agreement copies of all insurance licenses identified in MSD paragraph 1(c) for those states in which Agent intends to produce Insurance Business for CBIC, which territory is identified in MSD paragraph 1(j), and shall deliver copies of all such licenses to CBIC upon renewal of all such licenses. If Agent is not an individual, Agent warrants that the person signing this Agreement is licensed and in good standing under the insurance laws as an insurance agent in the state indicated as Agent's address below Agent's signature line.

2. AUTHORITY OF AGENT

2.1 Agent is authorized, subject to this Agreement and the present and subsequent rules, regulations, underwriting guidelines, reinsurance requirements and instructions of CBIC, to:

(a) Solicit applications for and collect Premiums due on any Insurance Business;

(b) If the Insurance Business includes surety bonds, sign and issue any bond for which Agent has received a specific Power of Attorney;

(c) Deliver and arrange for countersignature Insurance Business when necessary;

(d) Do and perform such other acts as are necessary for the proper conduct of the Insurance Business and for the protection and safeguarding of the interests of CBIC, including but not limited to providing any other mutually agreed upon services incidental or necessary to the complete servicing of the Insurance Business.

2.2 Notwithstanding anything to the contrary contained in this Agreement, Agent shall not issue any bond or policy unless and until all of the following which are applicable have been accomplished:

(a) Agent has obtained, on the then current forms prescribed by CBIC, the applicable number of fully completed applications, indemnification agreements, collateral agreements, and other documents required by CBIC, which have been fully completed and signed by all necessary persons and notarized if required by the applicable form(s);

(b) With regard to surety bonds, unless otherwise provided in an in force Letter of Authority or other written instruction from CBIC:

(1) Agent has delivered the application(s), indemnity agreement(s), collateral agreement(s) if necessary, and all other relevant documentation to CBIC. Delivery may be by facsimile transmission, but if so, the originals will be furnished to CBIC at any time upon its request;

(2) If Agent has received permission to execute the bond in question, Agent has received verbal approval and a specific written Power of Attorney for the bond. The Power of Attorney may be received by facsimile transmission;

(3) If Agent has not received permission to execute the bond in question, Agent has received verbal approval, and the bond itself, executed by an employee of CBIC together with a valid Power of Attorney for that employee showing that the employee has the power to execute the bond in question.

2.3 Agent is only authorized to solicit and issue such Insurance Business as may be lawfully written by an insurance company which is duly licensed in the state(s) with respect to which Agent has provided its licenses to CBIC.

2.4 CBIC reserves to itself the right to reject, cancel or reduce the amount of any Insurance Business which is not satisfactory to it, notwithstanding the fact that CBIC previously approved such Insurance Business. Agent shall immediately notify CBIC should any information come to the attention of Agent that would indicate a need to reject, cancel or reduce the amount of any Insurance Business, including, but not limited to, reports of dissatisfaction with the bonded principal, insured, Claims, complaints, deterioration in financial position or credit worthiness, and legal problems.

3. LIMITATIONS OF AUTHORITY

3.1 Agent has no authority to:

(a) Make any underwriting decisions, except as specifically authorized in any Insurance Business Addendum or Letter of Authority.

(b) Make any rate or form filings with the Insurance Commissioner of any state unless otherwise approved in writing by CBIC;

(c) Act as attorney-in-fact for CBIC except as specifically allowed pursuant to paragraph 2.2(b);

(d) Sign or issue any policy or bond in any capacity for CBIC except as expressly authorized in paragraph 2.2 herein;

(e) Vary from the rules of and the rates and filings with the Insurance Commissioners of the states in which Agent operates;

(f) Handle or settle claims or disputes concerning or arising from Insurance Business issued pursuant to this Agreement;

(g) Cancel Insurance Business or make decisions with respect to return Premiums;

(h) Do anything to bind CBIC except as specifically authorized herein;

(i) Arrange for reinsurance or contact reinsurers with respect to any Insurance Business;

(j) Solicit or write any risk that does not comply with this Agreement, or present and subsequent rules, regulations, underwriting guidelines, reinsurance requirements or instructions of CBIC.

3.2 If Agent exceeds Agent's authority, whether intentional or not, or is negligent in carrying out Agent's responsibilities, Agent will do such things and take such actions as are necessary to eliminate or reduce the exposure of CBIC and will hold CBIC harmless from any liability or loss (including reasonable attorneys fees) which may be incurred by the CBIC as a result thereof.
3.3 Notwithstanding anything to the contrary contained herein, Agent shall be considered to have exceeded its authority where the unauthorized actions or inactions are the actions or inactions of its employees, agents, or representatives, or brokers involved in the business produced, and CBIC's rights shall not be diminished because of the existence or nonexistence of insurance.

4. ISSUANCE OF POLICIES AND TRANSMITTAL OF DOCUMENTS, ETC.
With respect to policies of insurance, Agent shall forward to CBIC no later than fifteen (15) days after the effective date of any coverage written hereunder, or when otherwise directed by CBIC, exact copies of all applications, binders, policies or other appropriate evidences of Insurance Business written, modified or cancelled pursuant to this Agreement. Copies of all surety bonds executed by Agent, together with all relevant documentation not already delivered to CBIC pursuant to the provisions of paragraph 2.2(b), shall be transmitted to CBIC no later than fifteen (15) days after the date the bond is executed by Agent.

5. REPORTS, RECORDS, SUPPLIES AND EXPIRATIONS
5.1 Agent shall keep true and complete records of all transactions and correspondence with bondholders, policyholders, producers, sub-producers, brokers, State Insurance Departments, and CBIC. Such records and documents referred to herein, including financial documents and records relating to Agent's Premium Trust Account, shall be maintained in accordance with generally accepted accounting principles and insurance regulatory practices. Notwithstanding termination of this Agreement, such records and documents may be audited, examined and copied by representatives of CBIC at any time during business hours upon reasonable advance written notice and shall continue to be available to CBIC.
5.2. Agent shall promptly advise CBIC in writing of all Claims arising under policies written through Agent and CBIC immediately after Agent has knowledge of the same. Agent shall not incur in the name of CBIC nor charge to CBIC any expense in connection with the adjustment or payment of Claims.
5.3 Supplies furnished by CBIC shall remain the property of CBIC and shall be returned immediately upon request. Upon termination of this Agreement or Agent's authority hereunder, Agent, at the direction of CBIC, shall return all such property to CBIC or to its designated representative and shall hold CBIC harmless with respect to any unauthorized use thereof.

6. COMMISSIONS
Subject to compliance by Agent with the terms and conditions of this Agreement, CBIC will pay and Agent will accept as full compensation on business placed with and accepted by CBIC that percentage of Written Premiums set forth in MSD paragraph 1(f) and, if applicable, 1(k). Whenever Premiums are reduced or returned, whether in whole or in part or because of rescissions, reductions, cancellations, or otherwise, commissions shall be reduced or refunded at the same rate at which the commissions allowed initially had been computed. If Agent should forward the full Premiums due on any Insurance Business without deducting its commission, CBIC shall remit the commission due within thirty (30) days after the receipt by CBIC of the Premium.

EXPENSES
Agency expenses shall be the sole liability of Agent. All expenses incurred by Agent, including but not limited to the following, shall be considered Agency expenses: Rentals, transportation, salaries, attorney's or solicitor's fees, postage, telephone connection and use (including long distance) charges, costs of facsimile machine acquisition and use, advertising, currency exchange fees, countersignature fees or commissions, Agent's license fees and/or Agent's occupational taxes, whether billed to the Agent or CBIC. Agent will remit promptly to CBIC the amount of any such item billed to CBIC upon notice by CBIC to Agent of the charge therefor.

8. PREMIUMS AND ACCOUNTINGS
8.1 Agent shall be liable for and shall pay to CBIC all Premiums written by Agent or by other agents or brokers writing through Agent, less advanced commissions attributable to the business produced by Agent hereunder, and Agent shall account therefor. Agent shall transmit to CBIC by first class mail or by personal delivery all Premiums, less applicable advance commissions, for policies issued and bonds executed during any calendar month by the end of the immediately succeeding calendar month whether or not the Premiums were actually received by Agent. Should Agent default in any such payment, all Premiums on the business produced by Agent under this Agreement shall be due and payable immediately. In addition, CBIC may withhold or offset payment of any commissions until all Premiums or other money due from Agent is received by CBIC, and/or exercise all other remedies provided for by this Agreement or by law.
8.2 All Premiums received by Agent shall be held in a fiduciary capacity as trustee for CBIC until delivered to CBIC or its duly authorized representative. The Premiums received by Agent, net of commissions allowed, shall be kept in a fiduciary bank account. The keeping of an account with Agent on CBIC's books, as a creditor or debtor account, is declared a record memorandum of business transacted and the keeping of such account, or an alteration in compensation rate, or a failure to endorse prompt remittance, or compromise, or settlement, or declaration of balance of account shall not waive CBIC's right to assert the fiduciary nature of the Premiums collected by Agent.
8.3 If CBIC determines that there is money due it with respect to any Insurance Business, it may prepare a statement of money due and forward it to Agent. If the statement is for Insurance Business executed within the preceding month, payment shall be due in accordance with the provisions of paragraph 8.1. If the statement is for other sums due, within twenty (20) days after receipt by Agent, Agent shall pay to CBIC the amount due. In either case, Agent may, in lieu of payment, indicate in writing why it believes the amount derived for any particular Insurance Business by CBIC is incorrect. If Agent fails to respond within the applicable period, it shall be deemed conclusive evidence that the statement of money due was correct and the full amount is due and owing.

9. TERMINATION AND SUSPENSION
9.1 Except as provided hereunder, this Agreement, with respect to any one or more of the classes of Insurance Business authorized, may be terminated by mutual consent at any time or by either party giving notice in writing to the other, fixing the date of termination, which date shall not be less than sixty (60) days subsequent to the date of said notice, and this Agreement shall cease and terminate with respect to the matter(s) terminated on the date so fixed.
9.2 This Agreement shall terminate automatically upon the death or dissolution of Agent, or if any public authority cancels or declines to renew Agent's license or certificate of authority. It shall also terminate immediately upon notice by CBIC that it has elected to terminate because: (i) it has not received advance written notice or it does not approve of a sale, transfer, merger, or consolidation involving Agent, or the pledge of all or substantially all of Agent's stock or assets or the expirations or renewals of the Insurance Business; (ii) Agent fails to render timely and proper monthly Premium accounting as required, or to remit Premium when due; (iii) Agent uses rates or policy forms or filings in a jurisdiction where Agent has knowledge that required regulatory

approvals have not met; or (iv) there has been an event of fraud, embezzlement, abandonment, insolvency, or gross and willful misconduct on the part of Agent.

9.3 Notwithstanding the foregoing, in the event Agent shall commit any breach of this Agreement or fail to comply with any rules, regulations, underwriting guidelines, reinsurance requirements, instructions or directions by CBIC, CBIC may, in its sole discretion, immediately suspend or terminate the authority of Agent as to all or any specific powers granted to Agent under this Agreement. Notice of such suspension or termination may be by telephone, telegram, fax, mail or other common method of communication and upon receipt of such notice, Agent shall thereupon cease to exercise such power or powers in accordance with such notice.

9.4 If Agent exercises its right to terminate this Agreement, and Agent desires, at any time thereafter, to sell the business which it has placed on CBIC's books, CBIC shall have the first right and option to purchase such business by paying to Agent an amount mutually agreed upon. If Agent shall first offer the business to a third person, the right shall operate as follows: Agent shall not dispose of any portion of the business to a third party without first making a written offer to sell the same portion to CBIC. The written offer to CBIC shall be made not less than sixty (60) days prior to any proposed disposition of such interest and shall state the exact interest offered, the price and terms of the proposed sale, and the name and address of the proposed buyer. Within forty-five (45) days of the receipt of the written offer, CBIC may exercise an option to purchase the entire interest offered, and only the entire interest offered, upon the terms and conditions offered. If CBIC exercises such option, Agent hereby relinquishes all rights to the expirations and to the control or renewal of the business, and Agent shall not solicit or compete for the business in any manner, direct or indirect, for a period of three years thereafter. If CBIC exercises such option, all rights of Agent under agency contracts with other agents and/or brokers covering the business transacted under this Agreement are hereby assigned to CBIC, which shall then have the rights that Agent previously had with respect to the other agents and/or brokers.

9.5 During the term of this Agreement and following its termination, if Agent has made payments due CBIC in a timely manner and continues to do so, Agent's records shall remain the property of Agent and shall be left in its possession. Otherwise, the records and the use and control of all expirations of the business placed with CBIC shall become vested in CBIC for sale, use or disposal as it deems fit to reduce the amount of the indebtedness. In exercising its right to sell, use or dispose of the records and expirations, CBIC shall give a final accounting within a reasonable time to Agent for all sums received, and shall return to Agent any amount realized in excess of the indebtedness, less expenses incurred in disposing of such records and expirations. Agent shall remain liable for any amount by which the indebtedness exceeds the sums received by CBIC plus expenses incurred in disposing of such records and expirations. Notwithstanding the above, Agent's records shall not become vested in CBIC for differences in the accounting records of Agent and CBIC which are minor in amount.

9.6 CBIC reserves the right to solicit and write any account subsequent to termination or change of this agreement in which Agent no longer is authorized to solicit or write a particular account, or class, group or segment of the Insurance Business.

9.7 Servicing.

(a) Agent agrees that in the event this Agreement is terminated for reasons other than pursuant to the first sentence or clause (iv) of the second sentence of paragraph 9.2, then Agent shall continue to perform all customary and necessary services regarding all policies previously issued by Agent on behalf of CBIC until all such policies have been completely cancelled, non-renewed or otherwise terminated.

(b) Agent's continuing service obligations after termination of the Agreement shall include, but not be limited to, the issuance and arrangement with CBIC for the countersignature of appropriate endorsements of Insurance Business when so authorized in writing by the CBIC; provided that such endorsements shall not increase CBIC's liability or extend the term of any Insurance Business without prior written approval of CBIC.

(c) If this Agreement is terminated, Agent's authority to place new Insurance Business or renew Insurance Business shall cease immediately upon the giving of notice of termination, unless otherwise required by law or CBIC advises Agent that such right to place new or renewal Insurance Business continues until the effective date of termination or a date so designated by CBIC.

(d) CBIC's cost to service or arrange for the servicing of the Insurance Business issued by or through Agent hereunder shall be fully offset against the commissions or other compensation due Agent or shall be reimbursed promptly to CBIC by Agent.

(e) If after twelve (12) months after all liabilities have been satisfied, CBIC is unable to locate Agent to return monies due Agent hereunder, then all such monies will revert to CBIC and become its sole property.

9.8 Should CBIC suspend or terminate Agent, CBIC shall be entitled to all legal rights of recovery from Agent. Should Agent fail to comply with any such suspension or termination notice, Agent agrees to indemnify and agrees to reimburse CBIC for any losses or expense incurred or for any damages caused CBIC as a consequence thereof.

10. GENERAL PROVISIONS

10.1 All addenda, exhibits and attachments to this Agreement, and all documents referred to or identified in the MSD, are hereby incorporated herein by reference as though fully set forth; and any amendment to this Agreement or any of the foregoing addenda, exhibits, attachments or documents shall automatically interrelate in the same manner as its predecessor unless otherwise specifically provided in the amendment. For any addenda, exhibit, attachment or document to be valid which grants or increases agent's rights or benefits and which is not executed by CBIC, it must be either referred to in this Agreement or any future amendment to this Agreement in a way that makes its authenticity absolutely clear, or it must be absolutely clear that CBIC unilaterally issued it pursuant to its authority under this Agreement or any amendment to this Agreement.

10.2 Except as otherwise specifically set forth herein, any notice required under this Agreement must be in writing. Except as otherwise specifically set forth herein, all written notices shall be effective when either (i) sent by facsimile transmission to CBIC's or Agent's current fax number or such other changed number as may be established by written notification; or (ii) mailed in a postage paid first class envelope, certified return receipt requested, to the addresses set forth below or such other changed addresses as may be established upon written notification; or (iii) personally delivered to the authorized person indicated on the signatory page of this Agreement, or if changed, then to the individuals currently acting in that capacity

10.3 No right or remedy set forth in this Agreement is exclusive of any other right or remedy, but shall be in addition to every other right and remedy given under this Agreement or existing now or hereafter at law or equity.

10.4 This Agreement and the provisions relating to commissions shall, without prior notice, be automatically modified to conform with any law or governmental regulation having application to or jurisdiction over the subject matter or the parties hereto.

10.5 This Agreement contains the entire agreement of the parties, and may not be altered or modified, except by a writing signed by the parties hereto. A waiver by CBIC of any breach or default by Agent under this Agreement shall not constitute a continuing waiver or a waiver by CBIC of any subsequent act in breach or default hereunder.

10.6 This Agreement shall be subject to and construed under the laws of the State of Washington. The prevailing party in any action, including arbitration or other form of alternate dispute resolution, and court actions at all levels, shall be entitled to its

reasonable attorneys fees.

10.7 This Agreement shall not be construed as an exclusive agreement. CBIC reserves the right to appoint such other agent(s) as it may deem advisable, and Agent may represent other insurance companies.

10.8 Agent's rights under this Agreement are not transferable or assignable, nor may they be delegated to any person or entity other than employees of Agent, unless otherwise agreed upon and authorized by the President of CBIC.

10.9 The following types of changes to the Agreement may be made by CBIC providing written notice to Agent: Any change of name of Agent (after CBIC has been notified of the name change by Agent); change in the requirements for Agent's errors and omissions insurance; any modifications to CBIC's power of attorney form, including, but not limited to, the name of the attorney-in-fact, the maximum underwriting penal limits, and modifications to the general text contained in the power of attorney form; the authorization to represent CBIC in additional states if Agent is so licensed; the authorization to solicit bonds in penal sums or contract amounts exceeding those set forth in the agreement; the addition or deletion of persons authorized to act as attorneys-in-fact for Agent; changes in Agent's authority or limitations of authority; changes in Agent's rate of compensation on Written Premiums; changes in the type of Insurance Business agent is authorized to produce for CBIC; and waivers of corporate resolutions.

10.10 If a Guarantor or Surety has agreed, by separate written instrument, to guarantee the obligations Agent has assumed herein, any changes made by amendment of this Agreement or any Schedules or Addendum attached hereto shall be deemed to be a contemplated change and not an alteration of the original obligation.

10.11 The titles and subtitles of the various paragraphs of this Agreement are inserted for convenience, and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement.

10.12 The language in all parts of this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against any party.

10.13 Agent shall not advertise, use or promote the name of CBIC without first obtaining written permission from CBIC, and Agent agrees to immediately discontinue advertising, using or promoting the name of CBIC in a manner disapproved by CBIC upon notice to Agent of such disapproval.

10.14 This Agreement must be signed by an officer or authorized employee of CBIC to be valid. The person(s) signing this Agreement on behalf of the Agent warrant(s) and represent(s) that they are authorized to sign this Agreement on behalf of Agent. Agent agrees, if a corporation, to supply a certified copy of a board resolution authorizing or ratifying this Agreement within thirty (30) days after signing.

10.15 This Agreement shall inure to the benefit of and bind the parties hereto and their respective heirs, legal representatives, successors and assigns.

10.16 The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

10.17 This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

10.18 CBIC is authorized to investigate the credit, character, capacity and capital of Agent and its employees and owners as a condition precedent to the effectiveness of this Agreement, and then from time to time as deemed necessary by CBIC. CBIC's evaluation of the information it receives (which is incorporated herein by reference as though fully set forth) shall be determinative, but upon Agent's request, CBIC shall supply Agent with such credit information CBIC received as CBIC may be required by law to provide. CBIC shall be entitled to terminate this Agreement, decide not to appoint any or remove any already appointed attorney-in-fact solely upon the basis of information it receives pursuant to this paragraph.

11. DEFINITIONS

11.1 The term Premiums is defined as all amounts charged by CBIC for the purchase of Insurance Business executed by or in behalf of CBIC pursuant to this Agreement (including commissions to agents even if deducted prior to remitting the Premiums to CBIC, and fees and costs paid to CBIC which are in turn paid by CBIC to third parties (e.g. fees to title insurance companies for title reports, UCC filing fees, attorney fees for drafting documents)).

11.2 The term Written Premiums is defined as all amounts received by CBIC for the purchase of Insurance Business executed by or in behalf of CBIC pursuant to this Agreement (including commissions to agents even if deducted prior to remitting the Premiums to CBIC); less returns because of cancellations, substitutions of insurers, or otherwise; less fees and costs paid to CBIC which are in turn paid by CBIC to third parties (e.g. fees to title insurance companies for title reports, UCC filing fees, attorney fees for drafting documents).

11.3 The term Claim is defined as any demand, oral or written, on CBIC arising out of business covered under this Agreement, and any notice that such demand will or may be made.

11.4 The term Insurance Business is defined as any insurance business authorized to be written by Agent pursuant to MSD paragraph 1(g). Classifying surety business as Insurance Business is for convenient drafting, and is not intended to be or to constitute an admission that suretyship is insurance for purposes of legal proceedings.

12. GUARANTY

Unless otherwise indicated in MSD paragraph 1(h), Agent shall obtain, as a condition precedent to the effectiveness of this Agreement, a Guaranty on a form identified in MSD paragraph 1(h).

13. EQUIPMENT, COMPUTER NETWORK TIME SHARING AND SOFTWARE USE AGREEMENT

Unless otherwise indicated in MSD paragraph 1(i), CBIC shall not be furnishing to Agent equipment or software, and Agent shall not be utilizing CBIC's computer system from a remote site. If CBIC is to furnish equipment, software, or access to its computer system from a remote site, Agent must sign an Equipment, Computer Network Time Sharing and Software Use Agreement as indicated in MSD paragraph 1(i).

14. ADDITIONAL CONTINGENT COMMISSION

Unless otherwise indicated in MSD paragraph 1(k), Agent shall not have an Additional Contingent Commission arrangement with CBIC.

5. INSURANCE BUSINESS ADDENDUM

Unless otherwise indicated in MSD paragraph 1(g)(4), this Agreement shall not be subject to an Insurance Business Addendum.

16. LETTER OF AUTHORITY

Unless otherwise indicated in MSD paragraph 1(l), Agent shall not have a Letter of Authority.

RLI Corp. / RLI Insurance Group

INTERCOMPANY SERVICES AGREEMENT (AMENDED AND RESTATED) -- 2012

THIS INTERCOMPANY SERVICES AGREEMENT, dated this 18th day of July, 2012 ("*Services Agreement*"), is by and among RLI Insurance Company, an Illinois corporation (*RLI*), RLI Corp., an Illinois corporation (*RLI Corp.*), Mt. Hawley Insurance Company, an Illinois corporation (*MHI*), RLI Indemnity Company, an Illinois corporation (*RLI-IC*), Safe Fleet Insurance Services, Inc., a California corporation (*Safe Fleet*), Underwriters Indemnity General Agency, Inc., a Texas corporation (*UIGA*), RLI Underwriting Services, Inc., an Illinois corporation (*RLI-US*), Data and Staff Service Co., a Washington corporation (*DSS*), and Contractors Bonding and Insurance Company, a Washington corporation (*CBIC*) (collectively, the "*Companies*" and individually, a "*Company*"). RLI, RLI-IC, MHI and CBIC are hereinafter referred to collectively as the "*Insurance Companies*" individually as an "*Insurance Company*". This Services Agreement hereby amends, restates and replaces in its entirety the Intercompany Services Agreement between RLI, RLI Corp. and the other parties thereto dated December 22, 2002, as amended thereafter.

RECITALS

WHEREAS, RLI Corp. is the ultimate parent holding company of the Companies; and

WHEREAS, RLI is a wholly-owned subsidiary of RLI Corp., and is the parent company of all the Companies (except RLI Corp.), including the Insurance Companies; and

WHEREAS, the parties have evaluated processes, staffing, procedures, accounting, and other service related functions necessary for agency, broker, and claims operations in addition to insurance company operations; and

WHEREAS, the Companies have determined that there would be efficiencies in having RLI and RLI Corp. provide certain administrative services to the other Companies, as set forth herein.

Now, therefore, it is agreed:

I. RESPONSIBILITIES OF RLI

A. General. RLI will be responsible for the day to day operation of the Companies and will provide services with respect to all business of the Companies of a kind and quality necessary for the proper conduct of their respective businesses in compliance with applicable law. RLI will use its reasonable best efforts to protect and safeguard the interests of the Companies in every manner and to make such recommendations to the Companies as, in the opinion of RLI, will be in the best interests of the Companies with respect to the business serviced under this Agreement. RLI may perform all or some of the identified services for the individual Companies, based on their individual circumstances and requirements.

B. Services for Insurance Companies. RLI will perform the following services for the Insurance Companies:

1. The placement of reinsurance treaties and facultative reinsurance;
2. Claims adjustment and supervision;
3. Actuarial services; and
4. Underwriting services and product facilities.

C. Services for Companies. In addition, RLI will perform the following services for all Companies:

1. Investment, finance, and accounting services;
2. Information technology services, data processing and system development;
3. Legal and regulatory compliance services;
4. Payroll, employee benefits and human resources services;
5. Cash management services; and
6. Any other services needed to conduct the business of the Companies.

D. Services of RLI Corp.

1. RLI Corp. will perform investment services on behalf of the Insurance Companies, and such parties authorize RLI Corp. to enter into certain investment management contracts. RLI Corp. will retain control over investment duties pursuant to investment management contracts and will establish written guidelines for investment managers. RLI Corp. will comply with applicable investment policies established by the individual Insurance Companies. Notwithstanding the foregoing, the Board of Directors of each of the individual Insurance Companies will retain ultimate control over all operations and guidelines for investments for each such Company.
2. Cost allocations for RLI Corp. will be based upon generally accepted accounting principles.

E. Settlement of Intercompany Balances. Any intercompany balance resulting from services performed or costs allocated in accordance with the terms of this Agreement will be settled within 30 calendar days following the end of the calendar quarter in which such intercompany balance was created.

II. INTERNAL CONTROLS

A. Separate Accounting. RLI will keep separate and proper books of account and will record all transactions pertaining to the business of the Companies in a form acceptable to the Companies and applicable governmental authorities.

B. Audits. Each year, RLI and the other Insurance Companies will have an audit of their respective books and records conducted by an independent accounting firm.

C. Maintenance of Books and Records. RLI will maintain the books and records of the Companies at its offices in Illinois.

D. Deposits. Required security deposits and security funds will be made from the Companies' funds by RLI. All checking accounts and security transactions will require two of the Companies' officer's signatures when a disbursement for any reason exceeds $5,000 or any smaller amount if required by law.

E. Committees. The investment committees of the respective Boards of Directors of the Insurance Companies will review and approve actions taken by RLI Corp. on their behalf. The authority of each committee will be defined, limited, and subject at all times to change by each Board. The respective Board of the Insurance Companies will approve all actions of such investment committees, with all above in accordance with applicable insurance laws and regulations.

III. COST SHARING

A. Insurance Companies. All expenses of RLI and the other Insurance Companies, except for non-insurance activities, will be shared. The basis of expense sharing for each Insurance Company will be either (i) its respective pro rata portion of earned premium to the total of earned premiums of the Insurance Companies, or (ii) the actual or estimated cost of services provided, provided that to the extent (ii) above is utilized, no profit factor will be included and all such allocations will be done in accordance with applicable statutory accounting principles.

B. Individual Payments. The following will be paid by the respective Companies as their interests appear respectively, and not shared with RLI:

1. Premium and income taxes;
2. Involuntary government assessments including but not limited to, insolvency assessments, FAIR Plan assessments, guarantee fund assessments, and joint underwriting association assessments;
3. Fines or penalties assessed by any governmental authority;
4. Commissions, contingent commissions, reinsurance costs, claims and adjustment expense;
5. Incorporation and licensing expenses;
6. Board of Director expenses;
7. Independent audit and outside legal costs; and
8. Other direct expense specifically approved by the respective Board of Directors.

C. Non-Insurance Companies. The costs of each Company that is not an Insurance Company will be allocated based on (i) reimbursement of actual amounts paid on its behalf, and (ii) actual or estimated cost of services provided to such Company, provided that to the extent (i) above is utilized, no profit factor will be included and all such allocations will be done in accordance with applicable generally accepted accounting principles.

IV. TERM OF AGREEMENT

A. This Agreement will remain in force for three (3) years from the date of execution, and will renew annually thereafter unless otherwise terminated by the parties in accordance with the terms hereof. Termination during the initial term, or any subsequent renewal term, will be made in accordance with the provisions below. Notwithstanding the foregoing, termination by the Companies individually will apply solely to that Company providing the termination. This Agreement will be effective only for so long as the Companies remain wholly-owned subsidiaries of RLI Corp.

B. This Agreement will be terminated immediately without notice upon the occurrence of any of the following: a party has its certificate of authority revoked, withdrawn or suspended or is subject to an order of any government authority with respect to its bankruptcy, insolvency, rehabilitation or any other action taken, including the filing of a petition relating to liquidation.

C. This Agreement may be terminated by a party upon 90 days written notice to the other parties, with or without cause.

V. OBLIGATIONS AFTER TERMINATION

A. Upon termination of the Agreement, the Companies will have the right to "runoff" business subject to this Agreement or continue the business. RLI will deliver all books and records in a timely manner. From the final date of termination the Companies will hold RLI harmless from all subsequent liability that may arise from any cause or reason due to alleged or actual actions or inactions by any of the Companies or by its agents or others acting on behalf of any of the Companies. RLI will remain liable exclusively for its own actions.

B. In the event RLI is designated by the Insurance Companies to "runoff" the business, each Insurance Company so designating RLI will pay a reasonable per employee hourly fee to RLI for its services, and RLI, in its sole discretion, may:

   1. allow all in force policies to remain in-force until they expire or until they may be legally non-renewed; and

   2. arrange for reinsurance of the in-force policies and/or loss reserves. The reinsurer will be subject to the approval of the Insurance Companies respectively; however, such approval will not be unreasonably withheld.

VI. ARBITRATION

A. As a condition precedent to any right of action hereunder, it is agreed that in the event of any dispute or difference arising with reference to any transaction under this Agreement, which cannot be amicably settled, the same will be referred to arbitration. The parties may refer a matter to arbitration individually or jointly, but in either event may only pick one arbitrator. The parties to the dispute shall select one arbitrator. In the event the parties cannot select an arbitrator within 30 days after the matter is referred to arbitration, upon request of either party, the selection will be made by the Illinois Dept. of Insurance. All expenses will be shared equally by the parties to the arbitration.

B. The arbitrators will abide (except in the appointment of the arbitrator) by the procedures of the American Arbitration Association. The final decision of the panel will be binding upon the parties to the Agreement without appeal. Any such arbitration will take place in Peoria, Illinois, unless otherwise agreed.

VII. LIMITATIONS OF LIABILITY

A. RLI will not be liable for claims or expenses under the other Insurance Companies' insurance policies including punitive or bad faith damage claims and any indirect or consequential loss, including allegations of loss of profits or anticipated profits.

B. RLI will not be liable for any loss incurred as a result of the insolvency or failure of any broker, agent or any other person or firm, nor will RLI be liable for any delay in payment for any reason, unless RLI is the direct cause. RLI will not be liable for restrictions placed on remittance of monies by any government or foreign currency fluctuations.

C. RLI will not be liable for the failure of any reinsurer to post required letters of credit or establish trust funds in favor of an Insurance Company. RLI will not be liable in the event a reinsurer becomes insolvent or fails for any reason to remit any balance due.

D. RLI will not be liable for the purchase, retention, or sale of any security or securities whose value declines for any reason.

E. Except for the above provisions of this Section, RLI will be responsible for its own actions to the extent loss or damages are not caused by third parties outside the control of RLI and any loss or damages to a party is caused by gross negligence on the part of RLI.

F. Each party to this Agreement will be responsible for its own actions to the extent loss or damages are not caused by third parties outside the control of such party, and any loss or damage to RLI caused by gross negligence on the part of the party.

VIII. CONTROL OF THE COMPANY

A. The provision of this Agreement will not transfer control of a party or any of the powers vested in the Board of Directors of the party, by statute, articles of incorporation, or by-laws, or substantially all of the basic functions of the insurance company management.

B. This Agreement may not be assigned to any other person without the agreement of each party and any necessary governmental approvals.

IX. GENERAL

A. The failure of a party to exercise any or all of its rights under this Agreement will in no way be deemed a waiver of those rights.

B. This Agreement will be construed and enforced in accordance with the laws of the State of Illinois.

[end – signatures on following page]

IN WITNESS WHEREOF, the parties to this Services Agreement have caused it to be executed on the dates indicated below.

RLI INSURANCE COMPANY

By: Thos L Bow

Title: VP,CFO/Treasurer

Date: July 30, 2012

MT. HAWLEY INSURANCE COMPANY

By: Thos L Bow

Title: VP, CFO/Treasurer

Date: July 30, 2012

RLI INDEMNITY COMPANY

By: Thos L Bow

Title: VP, CFO/Treasurer

Date: July 30, 2012

SAFE FLEET INSURANCE SERVICES, INC.

By: Thos L Bow

Title: VP, CFO

Date: July 30, 2012

RLI UNDERWRITING SERVICES, INC.

By: Thos L Bow

Title: VP,CFO/Treasurer

Date: July 30, 2012

RLI CORP.

By: Thos L Bow

Title: VP, CFO/Treasurer

Date: July 30, 2012

UNDERWRITERS INDEMNITY GENERAL AGENCY, INC.

By: Thos L Bow

Title: Treasurer

Date: July 30, 2012

DATA AND STAFF SERVICES CO.

By: Thos L Bow

Title: VP, CFO/Treasurer

Date: July 30, 2012

CONTRACTORS BONDING AND INSURANCE COMPANY

By: Thos L Bow

Title: VP, CFO/Treasurer

Date: July 30, 2012

Exhibit 11
Tax Allocation Agreement

TAX ALLOCATION AGREEMENT

This Agreement, dated January 1, 1993 by and between RLI Corp. (Parent), an Illinois Corporation and

- -RLI Insurance Company, an Illinois Insurance Company
- -Mount Hawley Insurance Company, a ~~Delaware~~ KS Insurance Company
- -Replacement Lens, Inc., an Illinois Corporation
- -RLI Aviation, Inc., an Illinois Corporation
- -RLI Professional Technologies, Inc., an Illinois Corporation
- -License Express Services, Inc., an Illinois Corporation

(hereinafter referred to as Affiliated Group Members), all of 9025 North Lindbergh Drive, Peoria, Illinois.

Whereas, the parties hereto are members of an affiliated group ("Affiliated Group") as defined in I.R.C. Section 1504(a); and

Whereas, such Affiliated Group will file a consolidated income tax return for its taxable year ending December 31, 1993 and is required to file consolidated tax returns for subsequent years; and

Whereas, it is the intent and desire of the parties hereto that a method be established for allocating the consolidated tax liability of the Affiliated Group among its Members, for reimbursing the Parent for payment of such tax liability, for compensating any party for use of its losses or tax credits, and to provide for the allocation and payments of any refund arising from a carryback of losses or tax credits from subsequent taxable years.

Now, therefore in consideration of the mutual covenants and promises contained herein, the parties hereto agree as follows:

(1) A U.S. consolidated income tax return shall be filed by the Parent for the taxable year ending December 31, 1993, and for each subsequent taxable period in respect of which this agreement is in effect and for which the Affiliated Group is required or permitted to file a consolidated tax return. The Subsidiary shall execute and file such consent, elections, and other documents that may be required or appropriate for the proper filing of such returns.

(2) The Parent and Subsidiary agree that the consolidated tax liability for each year, determined in accordance with Income Tax Regulation 1.1502-2, shall be apportioned among them in accordance with the provisions of Income Tax Regulation 1.1502-33(d)(2)(ii). In applying that regulation, the tax liability shall be apportioned among the members of the affiliated group in accordance with the

ratio which that portion of the consolidated taxable income attributable to each member of the group having taxable income bears to the consolidated taxable income, pursuant to Section 1552(a)(1) of the Code and Income Tax Regulation 1.1552-1(a)(1).

Also, the fixed percentage to be used for purposes of applying Regulation Section 1.1502-33(d)(2)(ii)(b) shall be 100 percent. Thus, under Regulation 1.1502-33(d)(2)(ii)(b) an additional amount shall be allocated to each member of the affiliated group equal to 100 percent of the excess, if any, of the separate return tax liability of such member for the taxable year (computed as provided in Income Tax Regulation 1.1552-1(a)(2)(ii)) over the tax liability allocated under Section 1552(a)(1) as outlined above, and credited to the member which had items of income, deduction, credit, etc., to which any difference is attributable.

(3) The Parent and Subsidiary agree that, in any taxable year in which any consolidated alternative minimum tax liability is imposed on the affiliated group by Section 55(c) of the Internal Revenue Code of 1986, shall be allocated among the members in the following manner:

a. The consolidated regular federal income tax liability of affiliated group, as defined in Section 55(c) of the Internal Revenue Code of 1986, shall be allocated as provided in Paragraph (2) above, and

b. The consolidated alternative minimum tax liability shall be allocated to each member whose alternative minimum taxable income exceeds its breakeven alternative minimum taxable income. The amount of such liability allocated to any such member shall be equal to the consolidated alternative minimum tax liability multiplied by a fraction, the numerator of which is the excess of such member's alternative minimum taxable income over its breakeven alternative minimum taxable income, and the denominator of which is the excess of the sum of all such members' alternative minimum taxable incomes over the sum of their breakeven alternative minimum taxable incomes. For purposes of this Agreement, "breakeven alternative minimum taxable income" is the amount of alternative minimum taxable income at which a member's (or, if combined, the members') tentative alternative minimum tax liability would equal its (or their) regular federal income tax liability.

c. The amount of each member's minimum tax credit under Section 53 of the Internal Revenue Code of 1986 shall equal its alternative minimum tax liability as allocated under this paragraph for all taxable years to which this Agreement applies, reduced by the minimum tax credit used as provided in Paragraph (4) below.

(4) The Parent and Subsidiary agree that, in any taxable year in which the affiliated group reduces its consolidated regular federal income tax liability by the minimum tax credit provided under

Section 53 of the Internal Revenue Code of 1986, the amount of such credit used attributable to each member is equal to the consolidated minimum tax credit multiplied by a fraction, the numerator of which is the separate minimum tax credit of such member, and the denominator of which is the sum of the separate minimum tax credits of all members having such credits.

(5a) Subsidiary shall pay to the Parent or other designated Subsidiary that has remitted the federal tax payments, its separate return tax liability determined under Income Tax Regulation 1.1552-1(a)(2)(ii).

(5b) The consolidated group comprised of the Parent and Subsidiary agrees that either member shall pay to the other member with excess losses or tax credits during the year its allocable share of the total of the additional amounts allocated pursuant to paragraph (2) above. Payments for these allocable shares which will be determined in a manner consistent with Income Tax Regulation 1.1502-33(d)(2)(ii) are to be made no later than thirty days after the date of filing the consolidated return for such taxable year.

(6) If part or all of an unused loss or tax credit is allocated to a member of the Affiliated Group pursuant to Regulation 1.1502-79, and it is carried back or forward to a year in which such Member filed a separate return or a consolidated return with another affiliated group, any refund or reduction in Tax liability arising from the carryback or carryover shall be retained by such Member.

Notwithstanding the above, the Parent shall determine whether an election shall be made not to carryback any loss arising in a consolidated return year (including any portion allocated to a member under Regulation 1.1502-79) in accordance with IRC Section 172(b)(3).

(7) Payment of the consolidated tax liability for a taxable period shall not include the payment of estimated tax installments due for such taxable period. However, any amounts paid by the Subsidiary on account of a separate return of separate estimated tax payments which are credited against the consolidated tax liability of the Affiliated Group shall be included in determining the payments due from the Subsidiary. Any overpayment of estimated tax will be credited against the payment liability of the subsidiary, if any, or refunded to the Subsidiary within thirty days thereof.

(8) If the consolidated tax liability is adjusted for any taxable period, whether by means of an amended return, claim for refund, or after a tax audit by the Internal Revenue Service, the liability of each Member shall be recomputed to give effect to such adjustments, and in the case of a refund, the Parent shall credit the amount against the next installment payment liability of the subsidiary, if any, or make payment to the subsidiary for its share of the refund, determined in the same manner as in paragraph (2) above, within thirty days after the refund is received by the Parent, and in the case of an increase in tax liability, the Subsidiary shall

pay to the Parent its allocable share of such increased tax liability within thirty days after receiving notice of such liability from the Parent.

(9) If during a consolidated return period the Parent or the Subsidiary acquires or organizes another corporation that is required to be included in the consolidated return, then such corporation shall join in and be bound by this agreement.

(10) The agreement shall apply to the taxable year ending December 31, 1993 and all subsequent taxable periods unless the Parent and the Subsidiary agree in writing to terminate the agreement. Notwithstanding such termination, this agreement shall continue in effect with respect to any payment of refunds due for all taxable periods prior to termination.

In Witness Whereof, the parties have caused their names to be subscribed and executed by their respective authorized officers on the dates indicated.

10-1-96
Date

RLI Corp.

Date

RLI Insurance Company

Mt. Hawley Insurance Co.

Replacement Lens, Inc.

RLI Aviation, Inc.

RLI Professional Tech.,Inc.

License Express Services

Tax Allocation Agreement
Addendum No. One

June 24, 1997

It is agreed that this Addendum attaches to and becomes a part of the Tax Allocation Agreement ("Agreement") dated January 1, 1993.

It is agreed that all settlements resulting under this agreement shall be made within thirty (30) days after filing the actual consolidated corporate income tax return, or within thirty (30) days after the filing of a revised or amended return, or, in the case where a refund is due the parent, the parent may defer payment to the insurer within thirty (30) days after receipt of such refund.

All settlements shall be in cash or securities eligible as investments pursuant to Section *215 ILCS 5/125a through 124.14a* of the Illinois Insurance Code for such insurer, at market value.

It is further agreed that reference to Mt. Hawley Insurance Company, a Delaware Insurance Company be changed to Mt. Hawley Insurance Company, a Kansas Insurance Company as that entity has redomiciled to Kansas.

It is further agreed that reference to RLI Professional Technologies, Inc., be deleted as that entity is no longer a party to this Tax Allocation Agreement.

All other terms and provisions in the Agreement remain the same.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized, as of the date first above written.

RLI Corp.

License Express Services, Inc.

RLI Insurance Company

Mt. Hawley Insurance Company

Replacement Lens, Inc.

RLI Aviation, Inc.

Tax Allocation Agreement
Addendum Number Two

May 12, 2000

It is agreed that this Addendum attaches to and becomes a part of the Tax Allocation Agreement ("Agreement") dated January 1, 1993, and amended by Addendum No. One, dated June 24, 1997:

It is agreed that all references to Mt. Hawley Insurance Company, a Kansas Insurance Company, be changed to Mt. Hawley Insurance Company, an Illinois Insurance Company, as that entity has re-organized as an Illinois insurer.

It is further agreed that reference to the following company be deleted, as that entity is no longer a party to this Tax Allocation Agreement:

License Express Services, Inc.

It is further agreed that the following companies be added as parties to this Tax Allocation Agreement:

UIH, Inc., an Illinois stock corporation
Underwriters Indemnity Company, a Texas stock insurance corporation
Planet Indemnity Company, an Illinois stock insurance corporation
Underwriters Indemnity General Agency, Inc., a Texas stock corporation
Underwriters Settlement Services, Inc., a Texas stock corporation

All other terms and provisions in the Agreement remain the same.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized, as of the date first above written.

Mt. Hawley Insurance Company

UIH, Inc.

Underwriters Indemnity Company

Planet Indemnity Company

Underwriters Indemnity General Agency, Inc.

Underwriters Settlement Services, Inc.

Tax Allocation Agreement
Addendum Number Two
Amendment "A"
Relative to Underwriters Indemnity Company, a Texas Domiciliary Stock Insurer

It is agreed that this Amendment "A" to Addendum Number Two, effective as of May 12, 2000, attaches to and becomes a part of the Tax Allocation Agreement ("Agreement") dated January 1, 1993, and amended by Addendum No. One, dated June 24, 1997, and amended by Addendum No. Two, dated May 12, 2000:

In accordance with the provisions of the Texas Administrative Code regarding agreements to consolidate federal income tax returns within a holding company system (28 TAC §7.204 (a)(E)), any allocation of tax liability to Underwriters Indemnity Company, a Texas-domiciled stock insurance corporation, shall not be greater than the lesser of: the tax liability it would have incurred had Underwriters Indemnity Company been filing separate tax returns for all years of the consolidation period; or, the pro rata share of Underwriters Indemnity Company of the consolidated tax liability. Any allocated tax refund for Underwriters Indemnity Company will not be less than the tax refund Underwriters Indemnity Company would have incurred had it been filing separate returns for all of the years of the consolidation period. Underwriters Indemnity Company will be adequately indemnified by its affiliates in the event the Internal Revenue Service levies upon the assets of Underwriters Indemnity Company for penalties, interest, or unpaid taxes that exceed the proportionate share of the liability, as described above.

In order to satisfy these requirements, immediately after filing any consolidated return, or within sixty (60) days of an amendment thereto, the apportionment for Underwriters Indemnity Company shall be reviewed in order to ascertain compliance with Texas Insurance Department regulations. Records of the IRS allocations and subsequent review and adjustments, if applicable, shall be maintained for review and examination at the office of RLI Insurance Company, 9025 North Lindbergh Drive, Peoria, Illinois 61615, consistent with the Order entered July 26, 1999 by the Commissioner of Insurance of the State of Texas, Number 99-1082.

All other terms and provisions in the Agreement remain the same.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized, as of January 15, 2001.

RLI Insurance Company

Underwriters Indemnity Company

Tax Allocation Agreement
Addendum Number Three

May 30, 2002

It is agreed that this Addendum attaches to and becomes a part of the Tax Allocation Agreement ("Agreement") dated January 1, 1993, and amended by Addendum No. One, dated June 24, 1997 and Addendum No. Two dated May 12, 2000:

It is agreed that the following company be added as party to this Tax Allocation Agreement:

Safe Fleet Insurance Services, Inc.

It is further agreed that the Agreement shall contain the following provision:

The Affiliated Group shall retain copies of all tax returns, Related schedules and work-papers and all material records And other documents until the expiration of the Statute of Limitations (including extensions).

All other terms and provisions in the Agreement remain the same.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized, as of the date first above written.

Mt. Hawley Insurance Company

UIH, Inc.

Holding Company Section

3 2 3 4 2

Department of Insurance
State of Texas

Underwriters Indemnity Company

Planet Indemnity Company

Underwriters Indemnity General Agency, Inc.

Underwriters Settlement Services, Inc.

RLI Corp.

RLI Insurance Company

Replacement Lens, Inc.

Safe Fleet Insurance Services, Inc.

RLI Aviation, Inc.

Holding Company Section

3 2 3 4 2

Department of Insurance
State of Texas

Tax Allocation Agreement
Addendum Number Four

June 25, 2003

It is agreed that this Addendum attaches to and becomes a part of the Tax Allocation Agreement ("Agreement") dated January 1, 1993, and amended by Addendum No. One dated June 24, 1997, Addendum No. Two dated May 12, 2000, and by Addendum No. Three dated May 30, 2002:

It is agreed that the following companies be removed from this Tax Allocation Agreement:

Lexon Holdings, Inc., formerly known as UIH, Inc., an Illinois stock corporation
Lexon Insurance Company, formerly known as Underwriters Indemnity Company, a Texas stock insurance corporation

All other terms and provisions in the Agreement remain the same.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized, as of the date first above written.

RLI INSURANCE COMPANY

Signature: Joseph E. Dondlle

~~Attest:~~ Senior Vice President, Chief Financial Officer

LEXON HOLDINGS, INC., formerly known as UIH, INC.

Signature: Joseph E. Dondlle

~~Attest:~~ Senior Vice President, Chief Financial Officer

LEXON INSURANCE COMPANY, formerly known as UNDERWRITERS INDEMNITY COMPANY

Signature: Joseph E. Dondlle

~~Attest:~~ Senior Vice President, Chief Financial Officer

TAX ALLOCATION AGREEMENT
ADDENDUM NUMBER FIVE

May 31, 2011

It is agreed that this Addendum attaches and becomes a part of the Tax Allocation Agreement dated January 1, 1993, and amended by Addendum Number One dated June 24, 1997, Addendum Number Two dated May 12, 2000, Addendum Number Three dated May 30, 2002 and Addendum Number Four dated June 25, 2003 ("Agreement").

It is agreed that Contractors Bonding and Insurance Company, a Washington domestic insurer and subsidiary of RLI Insurance Company, and Data Staff Service Co., a Washington Company and subsidiary of RLI Insurance Company, be added to this Agreement.

All other terms and provisions in the Agreement remain the same.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their respective officers thereunder duly authorized, as of the date first above written.

RLI INSURANCE COMPANY

Signature: _____
Title: VP + General Counsel

CONTRACTORS BONDING AND INSURANCE COMPANY

Signature: _____
Title: VP + General Counsel

DATA AND STAFF SERVICE CO.

Signature: _____
Title: VP + General Counsel