

STATE OF WASHINGTON

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January 19, 2011

DANIEL O KENNEDY  
VICE PRESIDENT AND GENERAL COUNSEL  
RLI INSURANCE COMPANY  
9025 N. LINDBERGH DRIVE  
PEORIA, IL 61615

Re: Form A Filing dated December 22, 2010 – Proposed Acquisition of Control of  
Contractors Bonding & Insurance Company ("CBIC")

Dear Mr. Kennedy:

We are continuing our review of the above Form A filing received on December 23, 2010, from RLI Insurance Company ("RLI"). The OIC review is on hold until we receive your response to this letter. Please respond in the order as presented in this letter.

The Form A filing does not include the following items as required by RCW 48.31B.015. Please submit these items as referenced below.

1. Description of RLI subsidiaries and any business intended to be done by those subsidiaries and CBIC.
2. List of proposed directors and officers of Data & Staff Service Company ("DSS") and their biographical affidavits, if not already submitted.
3. Background check reports on the current directors and officers of RLI and proposed directors and officers of DSS and CBIC. The information would be obtained by the submission of fingerprints and processing fee for those fingerprints or third-party verification reports obtained from verification firms listed in the NAIC UCAA website. The reports should be sent directly to the OIC from the verification firms.
4. Disclaimer of control statement from State Street Global Investors, Inc. since that entity has current beneficial ownership exceeding ten percent of RLI Corporation common stock as reported in its latest SEC SC 13G filing.
5. Disclaimer of control statement from any other person that has beneficial ownership exceeding ten percent control of RLI Corporation common stock, if appropriate according to RCW 48.31B.025(11).
6. Audited statutory financial statements of RLI from 2005 to 2009.
7. Listing referencing confidential information submitted with the Form A filing. Please reference the applicable Washington statute that provides confidentiality of each and every chart, exhibit, listing, and schedule that should receive such treatment. The OIC will review the listing and decide if the referenced item should receive confidential treatment. The Form A statement itself is not considered confidential according the Chapter 48.31B RCW, and will make the Statement available to the public.



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We also request the following items for discussion to be submitted in order to obtain a better understanding about RLI and its affiliates. Please submit these items as referenced below.

1. Please discuss Mr. Gerald Stephens, RLI's founder, role in his current position on RLI and RLI Corporation's board of directors and any executive position in RLI and RLI Corporation. Please discuss any power he has to direct or cause the direction of management and policies of RLI and its affiliates.
2. Please discuss any involvement of an institutional investor, through appointed persons, has with RLI and RLI Corporation's board of directors or management.
3. Please discuss any plans for the integration of CBIC with RLI and any RLI affiliate and the timetable of such integration.
4. Please discuss the current business arrangements between RLI and its affiliates within its holding company system (i.e. support services, cost allocation, reinsurance, and management services arrangements).
5. Please describe how RLI will obtain the cash for the proposed transaction for the purpose of purchasing DSS (i.e. sale of securities, intercompany borrowing, and financing arrangements).
6. Please discuss any plans to redomesticate CBIC to another state and, if so, when.

As to these filing, please be advised the filing is incomplete and therefore the filing is tolled. Our review will commence when we receive the response to this letter.

If you have any questions, please call me at 360-725-7211 or Mr. Charles Brown, OIC Staff Attorney, at 360-725-7044.

Yours truly,



RONALD J. PASTUCH, CPA  
Holding Company Manager  
Company Supervision Division  
Fax: 360-586-2022

cc: Charles Brown, Staff Attorney  
Marc Tract, Katten Muchin Rosenman LLP