

RLI CORP
Form 4
September 22, 2006

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
STONE MICHAEL J

2. Issuer Name and Ticker or Trading Symbol
RLI CORP [RLI]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
9025 N. LINDBERGH DRIVE

3. Date of Earliest Transaction (Month/Day/Year)
09/21/2006

____ Director
____ Officer (give title below) 10% Owner
____ Other (specify below)
President RLI Insurance Compan

(Street)
PEORIA, IL 61615

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | Code | V Amount (A) or (D) Price | | | |
| Common Stock | 09/21/2006 | | M/K | 7,250 A \$ 13 | 38,920.8429 (1) | D | |
| Common Stock | 09/21/2006 | | M/K | 22,111 A \$ 15.7813 | 61,031.8429 (1) | D | |
| Common Stock | 09/21/2006 | | M/K | 13,996 A \$ 15.9063 | 75,027.8429 (1) | D | |
| Common Stock | 09/21/2006 | | F/K | 20,891 D \$ 51.13 | 54,136.8429 (1) | D | |
| Common Stock | 09/21/2006 | | F/K | 1,844 D \$ 51.13 | 52,292.8429 (1) | D | |

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| | | | |
|--------------|--------------------|---|-------------------------------|
| Common Stock | 12,445.6521 (2) | I | By Empl. Stock Ownership Plan |
| Common Stock | 16,993.6124 (3) | I | By Trust |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|--------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | |
| Option | \$ 15.9063 | 09/21/2006 | | M/K | 13,996 | 05/06/2000 | 05/06/2009 | Common Stock | 13,996 |
| Stock Option | \$ 20.05 | | | | | 05/03/2002 | 05/03/2011 | Common Stock | 30,000 |
| Stock Option | \$ 21.1 | | | | | 05/07/1999 | 05/07/2008 | Common Stock | 13,838 |
| Stock Option | \$ 29.335 | | | | | 05/02/2003 | 05/02/2012 | Common Stock | 48,000 |
| Stock Option | \$ 29.55 | | | | | 05/01/2004 | 05/01/2013 | Common Stock | 40,000 |
| Stock Option | \$ 35.08 | | | | | 05/06/2005 | 05/06/2014 | Common Stock | 40,000 |
| Stock Option | \$ 44.54 | | | | | 05/05/2006 | 05/05/2015 | Common Stock | 30,000 |
| Stock Option | \$ 50.15 | | | | | 05/04/2007 | 05/04/2016 | Common Stock | 27,500 |
| Stock Option | \$ 13 | 09/21/2006 | | M/K | 7,250 | 05/01/1998 | 05/01/2007 | Common Stock | 7,250 |

Stock Option \$ 15.7813 09/21/2006 M/K 22,111 05/04/2001 05/04/2010 Common Stock 22,111

Reporting Owners

| Reporting Owner Name / Address | Relationships |
|--|----------------------------------|
| | Director 10% Owner Officer Other |
| STONE MICHAEL J 9025 N. LINDBERGH DRIVE PEORIA, IL 61615 | President RLI Insurance Compan |

Signatures

Michael J Stone 09/22/2006

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Ownership reflects dividend reinvestment.
- (3) Ownership reflects dividend reinvestment.
- (2) Ownership reflects shares allocated to ESOP participant's account and dividend reinvestment.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.