

RLI CORP  
Form 4  
July 20, 2007

**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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**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 \*  
STEPHENS GERALD D

(Last) (First) (Middle)

9025 N. LINDBERGH DRIVE

(Street)

PEORIA, IL 61615

(City) (State) (Zip)

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

3. Date of Earliest Transaction (Month/Day/Year)  
07/18/2007

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

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

**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 Indirect Beneficial Ownership (Instr. 4)			
			Code	V	Amount					
Common Stock	07/18/2007		M/K		77,762 (1)	A	\$ 21.1	1,220,909.1677 (2)	D	
Common Stock	07/18/2007		F/K		47,284 (3)	D	\$ 60.19	1,173,625.1677 (2)	D	
Common Stock								15,009.4559 (4)	I	By Executive Deferred Comp
Common Stock								72,369.8378 (5)	I	By Key Emp. Benefit Plan
Common Stock								29,103.6853 (6)	I	By Trust for Grandchildren

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Common Stock	2,492	I	By Trust for Sister
Common Stock	68,935	I	By Wife

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)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option	\$ 15.9063					05/06/2000	05/06/2009	Common Stock	55,114
Stock Option	\$ 15.7813					05/04/2001	05/04/2010	Common Stock	49,664
Stock Option	\$ 20.05					05/03/2001	05/03/2011	Common Stock	1,440
Stock Option	\$ 29.405					05/01/2003	05/01/2012	Common Stock	1,080
Stock Option	\$ 29.55					05/01/2004	05/01/2013	Common Stock	720
Stock Option	\$ 34.55					05/03/2005	05/03/2014	Common Stock	360
Stock Option	\$ 40.39					02/02/2005	02/02/2014	Common Stock	360
Stock Option	\$ 21.1	07/18/2007		M/K	77,762	05/07/1999	05/07/2008	Common Stock	77,762

## Reporting Owners

Reporting Owner Name / Address	Relationships
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Director 10% Owner Officer Other

STEPHENS GERALD D  
9025 N. LINDBERGH DRIVE X  
PEORIA, IL 61615

## Signatures

Gerald D  
Stephens 07/20/2007

\*\*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) Transaction represents an exercise of options for 77,762 shares of common stock with a concurrent swap of 47,284 of such shares with the Company for payment of exercise price and related taxes.
- (5) Ownership reflects dividend reinvestment.
- (6) Ownership reflects dividend reinvestment.
- (2) Ownership reflects dividend reinvestment.
- (4) Ownership reflects dividend reinvestment.
- (3) Transaction represents an exercise of options for 77,762 shares of common stock with a concurrent swap of 47,284 of such shares with the Company for payment of exercise price and related taxes.

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.