

RLI CORP

Form 4

September 22, 2006

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

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

## OMB APPROVAL

OMB  
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2005  
Estimated average  
burden hours per  
response... 0.5

(Print or Type Responses)

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

(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)  
09/21/2006

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 \_\_\_\_X\_\_\_\_ Other (specify  
below) below)

President RLI Insurance Compan

6. Individual or Joint/Group Filing(Check  
Applicable Line)  
\_X\_ 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	(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)			
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
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	\$ 15.7813	09/21/2006	M/K	22,111	05/04/2001	05/04/2010	Common	22,111
Option							Stock	

## 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                      Date  
Reporting Person

## 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.  
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