

RLI CORP
Form 4
August 16, 2006

FORM 4

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

OMB APPROVAL

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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

(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)
08/15/2006

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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 | (A) or (D) | Price |
| Common Stock | 08/15/2006 | | J ⁽¹⁾ | | 87.26 | A | \$ 45.84 |
| | | | | | 31,632.0979 | | (2) |
| Common Stock | | | | | 12,445.6521 | I | |
| | | | | | (3) | | |
| Common Stock | | | | | 16,993.6124 | I | |
| | | | | | (4) | | |

By Empl. Stock Ownership Plan

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)

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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) | 8. Price or Value 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 | 20,000 |
| Stock Option | \$ 13 | | | | | 05/01/1998 | 05/01/2007 | Common Stock | 10,500 |
| Stock Option | \$ 15.7813 | | | | | 05/04/2001 | 05/04/2010 | Common Stock | 28,000 |
| 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 |

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 08/16/2006

 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) Shares purchased through payroll deduction feature of the RLI Dividend Reinvestment Plan.
- (2) Ownership reflects dividend reinvestment.
- (4) Ownership reflects dividend reinvestment.
- (3) 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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