

RLI CORP

Form 4

August 16, 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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(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 ____ 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)
Common Stock	08/15/2006		J ⁽¹⁾	V Amount (A) or (D) Price 87.26 A \$ 45.84	31,632.0979 ⁽²⁾	D	
Common Stock					12,445.6521 ⁽³⁾	I	By Empl. Stock Ownership Plan
Common Stock					16,993.6124 ⁽⁴⁾	I	By Trust

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

**Persons who respond to the collection of
information contained in this form are not**

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)	
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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