

RLI CORP
Form 4
September 22, 2008

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

OMB APPROVAL

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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

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)

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

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

9025 N. LINDBERGH DRIVE

09/19/2008

6. Individual or Joint/Group Filing (Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(Street)

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

PEORIA, IL 61615

(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 Indirect Beneficial Ownership (Instr. 4)
			Code	V Amount (D) Price			
Common Stock	09/19/2008		M	55,114 A \$ 15.9063	1,092,373.7977	D (1) (2)	
Common Stock	09/19/2008		F	29,912 D \$ 65.75	1,062,461.7977	D (1) (2)	
Common Stock					2,492	I	By Trust For Sister
Common Stock					48,980.5378	I	By Key Emp. Benefit Plan (1)
Common Stock					152,129.6838	I	G.D. Stephens Grantor Retained Annuity Trust

				(1)
Common Stock		68,935	I	By Wife
Common Stock		30,536.1282	I	By Trust For Grandchildren (1)
Common Stock		11,452.0992	I	By Executive Deferred Comp (1)

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

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(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
Stock Option	\$ 15.9063	09/19/2008		M	55,114	05/06/2000	05/06/2009	Common Stock	55,114
Stock Option	\$ 20.05					05/03/2001	05/03/2011	Common Stock	1,440
Stock Option	\$ 29.55					05/01/2004	05/01/2013	Common Stock	720
Stock Option	\$ 29.405					05/01/2003	05/01/2012	Common Stock	1,080
Stock Option	\$ 40.39					02/02/2005	02/02/2014	Common Stock	360
Stock Option	\$ 15.7813					05/04/2001	05/04/2010	Common Stock	49,664
Stock Option	\$ 34.55					05/03/2005	05/03/2014	Common Stock	360

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STEPHENS GERALD D 9025 N. LINDBERGH DRIVE PEORIA, IL 61615		X		

Signatures

/s/ Gerald D.
Stephens

09/22/2008

__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.
 - (2) Transaction represents exercise of stock options.

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.