

RLI CORP  
Form 4  
September 23, 2008

**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

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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)  
09/22/2008

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 (D) Price			
Common Stock	09/22/2008		M	48,000 A \$ 29.335	130,864.0136	D <u>(1)</u> <u>(2)</u>	
Common Stock	09/22/2008		F	31,736 D \$ 66.61	99,128.0136	D <u>(1)</u> <u>(2)</u>	
Common Stock					13,882.54	I	By Empl. Stock Ownership Plan <u>(3)</u>
Common Stock					17,559.3894	I	By Trust <u>(1)</u>

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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
Stock Option	\$ 29.335	09/22/2008		M	48,000	05/02/2003	05/02/2012	Common Stock	48,000
Stock Option	\$ 44.54					05/05/2006 <sup>(4)</sup>	05/05/2015	Common Stock	30,000
Stock Option	\$ 35.08					05/06/2005	05/06/2014	Common Stock	40,000
Stock Option	\$ 50.15					05/04/2007 <sup>(4)</sup>	05/04/2016	Common Stock	27,500
Stock Option	\$ 29.55					05/01/2004	05/01/2013	Common Stock	40,000
Stock Option	\$ 56.09					05/03/2008 <sup>(4)</sup>	05/03/2017	Common Stock	31,500

## 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

/s/ Michael J.  
Stone 09/23/2008

\*\*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.
- (3) Ownership reflects shares allocated to ESOP participant's account and dividend reinvestment.
- (4) Pursuant to option schedule wherein 20% of the aggregate number of shares granted may be exercised commencing one year from grant date and each year thereafter in 20% increments.

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