

RLI CORP  
Form 4  
May 16, 2006

**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 \*  
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)  
05/15/2006

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 below) \_\_\_X\_\_\_ Other (specify 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                    | 05/15/2006                           |  | J <sup>(1)</sup>               | V   | 82.474  | A  | \$ 48.5   | 31,428.4415<br><u>(2)</u> | D |                               |
| Common Stock                    |                                      |  |                                |   |   |  |   | 12,395.1137<br><u>(3)</u> | I | By Empl. Stock Ownership Plan |
| Common Stock                    |                                      |  |                                |   |   |  |   | 16,922.3205<br><u>(4)</u> | 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)   | 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                      05/16/2006

    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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