

SECURITIES AND EXCHANGE COMMISSION

FORM 4

Statement of changes in beneficial ownership of securities

Filing Date: **2006-05-08** | Period of Report: **2006-05-04**
SEC Accession No. **0001260760-06-000036**

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ISSUER

RLI CORP

CIK: **84246** | IRS No.: **370889946** | State of Incorporation: **IL** | Fiscal Year End: **1231**
SIC: **6331** Fire, marine & casualty insurance

Business Address
9025 N LINDBERGH DR
PEORIA IL 61615
3096921000

REPORTING OWNER

STONE MICHAEL J

CIK: **1192707** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **4** | Act: **34** | File No.: **001-09463** | Film No.: **06816890**
SIC: **6331** Fire, marine & casualty insurance

Mailing Address
C/O RLI CORP
9025 N. LINDBERGH DR.
PEORIA IL 61615

Business Address
C/O RLI CORP
9025 N LINDBERGH DR
PEORIA IL 61615-1431
6106885540

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

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

1. Name and Address of Reporting Person STONE MICHAEL J			2. Issuer Name and Ticker or Trading Symbol RLI CORP [RLI]		5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input type="checkbox"/> Officer (give title below) <input checked="" type="checkbox"/> Other (specify below) President RLI Insurance Compan	
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) 05/04/2006			
9025 N. LINDBERGH DRIVE			4. If Amendment, Date Original Filed(Month/Day/Year)		6. Individual or Joint/Group Filing (Check applicable line) <input checked="" type="checkbox"/> Form Filed by One Reporting Person <input type="checkbox"/> Form Filed by More than One Reporting Person	
(Street)						
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	(A) or (D)	Price			
Common Stock								31,345.9675 ⁽¹⁾	D	
Common Stock								12,395.1137 ⁽²⁾	I	By Empl. Stock Ownership Plan
Common Stock								16,922.3205 ⁽³⁾	I	By Trust

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 Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 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		20,000	D	
Stock Option	\$13							05/01/1998	05/01/2007	Common Stock	10,500		10,500	D	
Stock Option	\$15.7813							05/04/2001	05/04/2010	Common Stock	28,000		28,000	D	
Stock Option	\$20.05							05/03/2002	05/03/2011	Common Stock	30,000		30,000	D	

Stock Option	\$21.1						05/07/1999	05/07/2008	Common Stock	13,838		13,838	D	
Stock Option	\$29.335						05/02/2003	05/02/2012	Common Stock	48,000		48,000	D	
Stock Option	\$29.55						05/01/2004	05/01/2013	Common Stock	40,000		40,000	D	
Stock Option	\$35.08						05/06/2005	05/06/2014	Common Stock	40,000		40,000	D	
Stock Option	\$44.54						05/05/2006	05/05/2015	Common Stock	30,000		30,000	D	
Stock Option	\$50.15	05/04/2006		<u>A</u>		27,500	05/04/2007 ⁽⁴⁾	05/04/2016	Common Stock	27,500	\$50.15	27,500	D	

Explanation of Responses:

4. Pursuant to option schedule wherein 20% of the aggregate number of shares granted may be exercised commencing 05/04/07, & each year thereafter in 20% increments.
1. Ownership reflects dividend reinvestment.
3. Ownership reflects dividend reinvestment.
2. Ownership reflects shares allocated to ESOP participant's account and dividend reinvestment.

Signatures

Michael J Stone

** Signature of Reporting Person

05/08/2006

Date

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

* 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).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.