

RLI CORP  
Form 4  
December 24, 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 \*  
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)

(Last) (First) (Middle)  
9025 N. LINDBERGH DRIVE

3. Date of Earliest Transaction (Month/Day/Year)  
11/25/2008

\_\_\_\_ Director  
\_\_\_\_ Officer (give title below)  Other (specify below)

President RLI Insurance Compan

(Street)

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

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

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	12/23/2008		G	V 500 D \$ 0	93,711.8142	D <u>(1)</u>	
Common Stock	11/25/2008		J <sup>(4)</sup>	V 5,000 D \$ 0	88,711.8142	D <u>(1)</u>	
Common Stock	11/25/2008		J <sup>(4)</sup>	V 5,000 A \$ 0	5,000	I	M. J. Stone Grantor Retained Annuity Trust
Common Stock					13,949.364	I	By Empl. Stock

	Ownership Plan <u>(2)</u>
Common Stock	17,645.552    I    By Trust <u>(1)</u>

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)	8. Amount or Number of Shares
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 <sup>(3)</sup> 05/05/2015	Common Stock	30,000
Stock Option	\$ 50.15					05/04/2007 <sup>(3)</sup> 05/04/2016	Common Stock	27,500
Stock Option	\$ 50					05/01/2009 <sup>(3)</sup> 05/01/2018	Common Stock	34,000
Stock Option	\$ 56.09					05/03/2008 <sup>(3)</sup> 05/03/2017	Common Stock	31,500

## Reporting Owners

Reporting Owner Name / Address	Relationships
	Director    10% Owner    Officer    Other
	President RLI Insurance Compan

STONE MICHAEL J  
9025 N. LINDBERGH DRIVE  
PEORIA, IL 61615

## Signatures

/s/ Michael J.  
Stone

12/24/2008

\*\*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) Ownership reflects shares allocated to ESOP participant's account and dividend reinvestment.
- (3) 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.
- (4) Shares were transferred from Michael J. Stone to the Michael J. Stone Grantor Retained Annuity Trust.

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.