

RLI CORP

Form 4

January 28, 2011

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

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

OMB APPROVAL

OMB
Number: 3235-0287
Expires: January 31,
2005
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(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)
01/27/2011

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 ____X____ Other (specify
below) 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	01/27/2011		M	20,000 A	\$ 28.08	113,474.0464 D ⁽¹⁾	
Common Stock	01/27/2011		F	13,420 D	\$ 54.38	100,054.0464 D ⁽¹⁾	
Common Stock					17,557.1418	I	By Empl. Stock Ownership Plan ⁽³⁾
Common Stock					20,900.8331	I	By Trust ⁽¹⁾
					4,111.7774	I	

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Common Stock						M. J. Stone Grantor Retained Annuity Trust (M1)
Common Stock		11,364.4	I			M.J. Stone Grantor Retained Annuity Trust (M3)
Common Stock		5,768.06	I			M.J. Stone Grantor Retained Annuity Trust (M2)

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	\$ 28.08 (2)	01/27/2011		M	20,000	05/06/2005	05/06/2014	Common Stock	20,000
Stock Option	\$ 37.54 (2)					05/05/2006(4)	05/05/2015	Common Stock	30,000
Stock Option	\$ 43.15 (2)					05/04/2007(4)	05/04/2016	Common Stock	27,500
Stock Option	\$ 49.09 (2)					05/03/2008(4)	05/03/2017	Common Stock	31,500
Stock Option	\$ 43 (2)					05/01/2009(4)	05/01/2018	Common Stock	34,000
	\$ 39.9 (2)					05/07/2010(4)	05/07/2017		32,000

Stock Option					Common Stock	
Stock Option	\$ 49.34 (2)		05/06/2011 ⁽⁴⁾	05/06/2018	Common Stock	6,000
Stock Option	\$ 49.2 ⁽²⁾		08/02/2011 ⁽⁴⁾	08/02/2018	Common Stock	6,000
Stock Option	\$ 50.26 (2)		11/01/2011 ⁽⁴⁾	11/01/2018	Common Stock	6,000

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

01/28/2011

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) Stock Option grant price adjusted to reflect \$7 RLI extraordinary dividend paid 12/29/10.

(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.

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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