

RLI CORP  
Form 4  
September 22, 2008

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

OMB APPROVAL  
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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 \*  
MICHAEL JONATHAN E

(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)  
09/19/2008

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)  Other (specify below)  
President

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 Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	09/19/2008		M		59,999	A	\$ 20.05
Common Stock	09/19/2008		F		34,748	D	\$ 65.75
Common Stock					14,320.1725	I	
Common Stock					63,729.15	I	
					35,487.2952	I	

By Trust <sup>(1)</sup>  
By Empl. Stock Ownership Plan <sup>(2)</sup>

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Common  
Stock

By Key  
Employee  
Benefit  
Plan (1)

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)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	\$ 20.05	09/19/2008		M	59,999	05/03/2002	05/03/2011	Common Stock	59,999
Stock Option	\$ 54.36					08/01/2009 <sup>(3)</sup>	08/01/2018	Common Stock	10,500
Stock Option	\$ 56.03					11/02/2008 <sup>(3)</sup>	11/02/2017	Common Stock	10,500
Stock Option	\$ 56.09					05/03/2008 <sup>(3)</sup>	05/03/2017	Common Stock	10,500
Stock Option	\$ 54.04					11/03/2007 <sup>(3)</sup>	11/03/2016	Common Stock	10,500
Stock Option	\$ 47.44					08/04/2007 <sup>(3)</sup>	08/04/2016	Common Stock	10,500
Stock Option	\$ 29.335					05/02/2003	05/02/2012	Common Stock	60,000
Stock Option	\$ 55.41					02/01/2009 <sup>(3)</sup>	02/01/2018	Common Stock	10,500
Stock Option	\$ 44.54					05/05/2006	05/05/2015	Common Stock	45,000
Stock Option	\$ 50					05/01/2009 <sup>(3)</sup>	05/01/2018	Common Stock	10,500

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Stock Option	\$ 56.21	02/02/2008 <sup>(3)</sup>	02/02/2017	Common Stock	10,500
Stock Option	\$ 29.55	05/01/2004	05/01/2013	Common Stock	60,000
Stock Option	\$ 15.7813	05/04/2001	05/04/2010	Common Stock	6,336
Stock Option	\$ 50.15	05/04/2007 <sup>(3)</sup>	05/04/2016	Common Stock	10,500
Stock Option	\$ 35.08	05/06/2005	05/06/2014	Common Stock	60,000
Stock Option	\$ 15.9063	05/06/2000	05/06/2009	Common Stock	6,290
Stock Option	\$ 56.67	08/03/2008 <sup>(3)</sup>	08/03/2017	Common Stock	10,500

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MICHAEL JONATHAN E 9025 N. LINDBERGH DRIVE PEORIA, IL 61615	X		President	

## Signatures

/s/ Jonathan E. Michael                      09/22/2008

\_\_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.

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.