

RLI CORP  
Form 4  
March 10, 2010

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

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 \*  
**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)  
03/10/2010

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 Indirect Beneficial Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			
Common Stock	03/10/2010		M	60,000 A \$ 29.335	231,344.2105	D <sup>(1)</sup>	
Common Stock	03/10/2010		F	42,935 D \$ 55.32	188,409.2105	D <sup>(1)</sup>	
Common Stock					66,594.5854	I	By Empl. Stock Ownership Plan <sup>(2)</sup>
Common Stock					36,597.0709	I	By Key Employee Benefit

Common Stock	14,768	I	Plan <sup>(1)</sup> By Trust <sup>(1)</sup>
Common Stock	7,467	I	J.E. Michael 2009 Grantor Retained Annuity Trust Dtd 02/24/09

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 required to respond unless the form displays a currently valid OMB control number.**

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	\$ 29.335	03/10/2010		M	60,000	05/02/2003	05/02/2012	Common Stock	60,000
Stock Option	\$ 20.05					05/03/2002	05/03/2011	Common Stock	1
Stock Option	\$ 29.55					05/01/2004	05/01/2013	Common Stock	60,000
Stock Option	\$ 35.08					05/06/2005	05/06/2014	Common Stock	60,000
Stock Option	\$ 44.54					05/05/2006	05/05/2015	Common Stock	45,000
Stock Option	\$ 50.15					05/04/2007 <sup>(3)</sup>	05/04/2016	Common Stock	10,500
Stock Option	\$ 47.44					08/04/2007 <sup>(3)</sup>	08/04/2016	Common Stock	10,500

Stock Option	\$ 54.04	11/03/2007 <sup>(3)</sup>	11/03/2016	Common Stock	10,500
Stock Option	\$ 56.21	02/02/2008 <sup>(3)</sup>	02/02/2017	Common Stock	10,500
Stock Option	\$ 56.09	05/03/2008 <sup>(3)</sup>	05/03/2017	Common Stock	10,500
Stock Option	\$ 56.67	08/03/2008 <sup>(3)</sup>	08/03/2017	Common Stock	10,500
Stock Option	\$ 56.03	11/02/2008 <sup>(3)</sup>	11/02/2017	Common Stock	10,500
Stock Option	\$ 55.41	02/01/2009 <sup>(3)</sup>	02/01/2018	Common Stock	10,500
Stock Option	\$ 50	05/01/2009 <sup>(3)</sup>	05/01/2018	Common Stock	10,500
Stock Option	\$ 54.36	08/01/2009 <sup>(3)</sup>	08/01/2018	Common Stock	10,500
Stock Option	\$ 56.73	11/03/2009 <sup>(3)</sup>	11/03/2018	Common Stock	10,500
Stock Option	\$ 56.89	02/02/2010 <sup>(3)</sup>	02/02/2019	Common Stock	10,500
Stock Option	\$ 46.9	05/07/2010 <sup>(3)</sup>	05/07/2017	Common Stock	9,750
Stock Option	\$ 50.49	08/03/2010 <sup>(3)</sup>	08/03/2017	Common Stock	9,750
Stock Option	\$ 49.9	11/02/2010 <sup>(3)</sup>	11/02/2017	Common Stock	9,750
Stock Option	\$ 51.62	02/01/2011 <sup>(3)</sup>	02/01/2018	Common Stock	9,750

## 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

03/10/2010

\*\*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.