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RLI CORP  
Form SC 13G  
February 12, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 13G

UNDER THE SECURITIES EXCHANGE ACT OF 1934  
ANNUAL FILING

RLI CORP  
(NAME OF ISSUER)  
COMMON STOCK  
(TITLE CLASS OF SECURITIES)  
749607107  
(CUSIP NUMBER)  
12/31/2006  
(DATE OF EVENT WHICH REQUIRES FILING OF THIS STATEMENT)

CHECK THE APPROPRIATE BOX TO DESIGNATE THE RULE PURSUANT TO WHICH THIS SCHEDULE IS FILED:

- RULE 13D-1(B)  
 RULE 13D-1(C)  
 RULE 13D-1(D)

\*THE REMAINDER OF THIS COVER PAGE SHALL BE FILLED OUT FOR A REPORTING PERSON'S INITIAL FILING ON THIS FORM WITH RESPECT TO THE SUBJECT CLASS OF SECURITIES, AND FOR ANY SUBSEQUENT AMENDMENT CONTAINING INFORMATION WHICH WOULD ALTER THE DISCLOSURES PROVIDED IN A PRIOR COVER PAGE.

THE INFORMATION REQUIRED IN THE REMAINDER OF THIS COVER PAGE SHALL NOT BE DEEMED TO BE "FILED" FOR THE PURPOSE OF SECTION 18 OF THE SECURITIES EXCHANGE ACT OF 1934 ("ACT") OR OTHERWISE SUBJECT TO THE LIABILITIES OF THAT SECTION OF THE ACT BUT SHALL BE SUBJECT TO ALL OTHER PROVISIONS OF THE ACT (HOWEVER, SEE THE NOTES).

CUSIP NO. 749607107                      SCHEDULE 13G                      PAGE 2 OF 5 PAGES

1. NAME OF REPORTING PERSON  
SS OR IRS IDENTIFICATION NO. OF PERSON  
STATE STREET BANK AND TRUST COMPANY, ACTING IN VARIOUS FIDUCIARY CAPACITIES.              04-1867445

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP. \*

NOT APPLICABLE

A \_\_\_

B \_\_\_

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

BOSTON, MASSACHUSETTS

5. SOLE VOTING POWER

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- 348,314 SHARES
6. SHARED VOTING POWER  
1,713,298 SHARES
7. SOLE DISPOSITIVE POWER  
0 SHARES
8. SHARED DISPOSITIVE POWER  
2,061,612 SHARES
9. AGGREGATED AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
2,061,612 SHARES
10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN  
SHARES\*

NOT APPLICABLE

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9  
8.4%

12. TYPE OF REPORTING PERSON\*

BK

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ITEM 1.

- (A) NAME OF ISSUER  
RLI CORP

- (B) ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES

9025 N. LINDBERGH DR.  
PEORIA, IL 61615

ITEM 2.

- (A) NAME OF PERSON FILING  
STATE STREET BANK AND TRUST COMPANY, TRUSTEE

- (B) ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE,  
RESIDENCE

225 FRANKLIN STREET, BOSTON, MA 02110

- (C) CITIZENSHIP

BOSTON, MASSACHUSETTS

- (D) TITLE OF CLASS OF SECURITIES

COMMON STOCK

- (E) CUSIP NUMBER

749607107

- ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO RULE 13D-1(B), OR  
13D-2(B), CHECK WHETHER THE PERSON FILING IS A:

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(B)  X  BANK AS DEFINED IN SECTION 3(A)(6) OF THE ACT

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ITEM 4. OWNERSHIP

(A) AMOUNT BENEFICIALLY OWNED

2,061,612 SHARES

(B) PERCENT OF CLASS

8.4%

(C) NUMBER OF SHARES AS TO WHICH SUCH PERSON HAS:

(I) SOLE POWER TO VOTE OR TO DIRECT THE VOTE

348,314 SHARES

(II) SHARED POWER TO VOTE OR TO DIRECT THE VOTE

1,713,298 SHARES

(III) SOLE POWER TO DISPOSE OR TO DIRECT THE DISPOSITION OF

0 SHARES

(IV) SHARED POWER TO DISPOSE OR TO DIRECT THE DISPOSITION OF

2,061,612 SHARES

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

NOT APPLICABLE

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON.

EMPLOYEE STOCK OWNERSHIP PLAN = 7.0%

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY

NOT APPLICABLE

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP

NOT APPLICABLE

ITEM 9. NOTICE OF DISSOLUTION OF GROUP

NOT APPLICABLE

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ITEM 10. CERTIFICATION

THE FOLLOWING CERTIFICATION SHALL BE INCLUDED IF THE STATEMENT IS FILED PURSUANT TO RULE 13D-1(B):

BY SIGNING BELOW I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE SECURITIES REFERRED TO ABOVE WERE ACQUIRED IN THE ORDINARY COURSE OF BUSINESS AND WERE NOT ACQUIRED

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FOR THE PURPOSE OF AND DO NOT HAVE THE EFFECT OF CHANGING OR INFLUENCING THE CONTROL OF THE ISSUER OF SUCH SECURITIES AND WERE NOT ACQUIRED IN CONNECTION WITH OR AS A PARTICIPANT IN ANY TRANSACTION HAVING SUCH PURPOSES OR EFFECT.

THIS REPORT IS NOT AN ADMISSION THAT STATE STREET BANK AND TRUST COMPANY IS THE BENEFICIAL OWNER OF ANY SECURITIES COVERED BY THIS REPORT, AND STATE STREET BANK AND TRUST COMPANY EXPRESSLY DISCLAIMS BENEFICIAL OWNERSHIP OF ALL SHARES REPORTED HEREIN PURSUANT TO RULE 13D-4.

SIGNATURE

AFTER REASONABLE INQUIRY AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, I CERTIFY THAT THE INFORMATION SET FORTH IN THIS STATEMENT IS TRUE, COMPLETE AND CORRECT.

12 FEBRUARY 2007

STATE STREET CORPORATION  
STATE STREET BANK AND TRUST COMPANY,  
TRUSTEE

/s/ SYDNEY MARZEOTTI  
VICE PRESIDENT