

NATIONAL INTERSTATE CORPORATION

Compensation Committee Charter

The Board of Directors (“Board”), by resolution dated October 25, 1990, established the Compensation Committee (“Committee”). This Compensation Committee Charter was adopted by the Board on October 28, 2004 and amended on December 11, 2012.

1. Purpose

The purpose of the Committee is to

- a. determine and approve the base and bonus compensation, long term incentive compensation and equity awards for the Company’s Chief Executive Officer and designated senior officers;
- b. oversee the Company’s base and bonus compensation, long term incentive compensation and equity awards for all other officers and all other participants in the Management Bonus Plan as administered and approved by the Chief Executive Officer;
- c. evaluate, amend and recommend to the full Board for its consideration and approval the Company’s Management Bonus Plan, long term incentive plan and any other equity compensation plan(s);
- d. review with management the annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations; and,
- e. determine and approve the compensation of the Company’s non-employee, non-affiliated Directors.

2. Structure and Membership

The Committee, upon recommendation of the Nominating/Governance Committee, shall be comprised of no fewer than three Directors as appointed by the Board. As long as the Company is a “Controlled Company” pursuant to Nasdaq Stock Market, Inc’s (*“NASDAQ”*) Rule 5615(c)(1), only two members of the Committee must qualify as “Independent Directors” (as defined by NASDAQ rules), as “Outside Directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and satisfy the “Non-Employee” Director standard contained in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended.

The Board will appoint the members of the Committee annually and each member will serve until such member’s successor is duly designated or until such member’s earlier resignation or removal. The Board may remove any member of the Committee, with or without cause, by a majority vote of the Board. Unless the Board designates a Chairperson of the Committee, the members of the Committee will designate a Chairperson by a majority vote of the Committee. The Chairperson will chair all sessions of the Committee and will set the agendas for Committee meetings.

3. Duties and Responsibilities

The following duties and responsibilities shall be recurring activities of the Committee. The Committee may carry out additional duties and responsibilities delegated by the Board as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee is empowered to study or investigate any matter of interest or concern within its purpose that it deems appropriate or necessary. The Committee shall have the authority, at the Company's expense, to engage, approve fees and terminate outside counsel or other advisors as needed to carry out its duties and responsibilities. The Committee's recurring duties and responsibilities are:

A. Determine and approve, at least annually, the compensation of the Chief Executive Officer and designated senior officers, by evaluating their annual performance objectives as it regards the Company's operating objectives in order to determine and approve compensation. In determining any long term incentive component of the Chief Executive Officer's or other designated senior officer's compensation, the Committee shall consider all relevant factors, including but not limited to the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers or senior officers at comparable companies and the awards given to the Chief Executive Officer and other designated senior officers in past years;

B. To determine and approve the compensation of the Company's non-employee, non-affiliated Directors;

C. To oversee the Company's base and bonus compensation, long term incentive compensation, and equity awards for all officers and other participants in the Management Bonus Plan as administered and approved by the Chief Executive Officer;

D. Administer and approve the granting of certain qualified and non-qualified stock options and other equity awards for all officers and other employees and non-employee, non-affiliated Directors of the Company under the Company's Long Term Incentive Plan and any other equity compensation plan(s). The Committee shall exercise all the authority of the Board with respect to the administration of such plan(s) to the extent permitted under applicable law. In connection with the compensation plan(s), the Committee shall:

i. Review and recommend to the Board new compensation plans and any changes to or modifications of existing Management Bonus Plans, long term incentive compensation or equity award plans;

ii. Establish and review on a periodic basis the policies for and the administration of the Company's compensation programs to determine whether they are properly coordinated and achieving their intended purpose;

E. Establish and periodically review policies in the area of senior management perquisites;

F. Review and make recommendations to the Board regarding any contracts or other transactions with current or former executive officers of the Company and any non-independent Director, including consulting arrangements, employment contracts, and severance and/or termination agreements.

G. Review and discuss with management the annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.

4. Reports and Minutes

A. Report regularly to the Board following meetings of the Committee, including making any recommendations the Committee deems appropriate. This report may take the form of an oral report by the Chairperson or any other member of the Committee designated by the Committee to give such report;

B. Maintain minutes and other records of meetings and activities of the Committee;

C. Participate in an annual performance evaluation of the Committee.

5. Committee Meetings and Action

A majority of the Committee members shall be a quorum for the transaction of business and any action of a majority of those present at a meeting at which a quorum is present shall be an act of the Committee. Any action which may be taken at a meeting of the Committee shall be deemed the action of the Committee if all of the Committee members execute a written consent and the consent is filed with the Corporate Secretary. The Company's Chief Executive Officer will be the management liaison to the Committee and the Corporate Secretary or Assistant Secretary or a designated person acting as Secretary shall be responsible for keeping minutes of the Committee meetings. The Committee shall meet at least once a year and at such other times as may be requested by its Chairperson and will routinely meet to review such matters as the Committee, in its discretion, determines to be appropriate.