



Key Statistics

Nasdaq NATL
 A.M. Best rating "A" (Excellent)
 Employees 348
 Fiscal year ends December
 Website www.natl.com

Stock Information

Recent price* \$20.83
 52-week low-high \$14.51 - \$21.98
 Market capitalization* \$402.9MM
 Dividend (Yield)* \$0.32 (1.5%)
 TTM diluted EPS \$2.30
 TTM P*/E 9.1x
 *At May 21, 2010

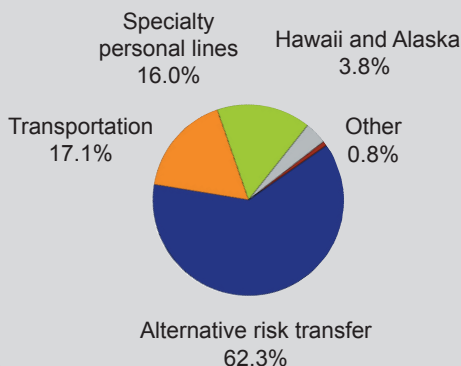
2009 Annual Results

Net earnings from operations . . . \$38.1MM
 Combined ratio 84.8%
 Premium growth (9.3%)
 Return on equity 19.1%

2010 First-Quarter Results

Net earnings from operations . . . \$9.2MM
 Combined ratio 86.5%
 Premium growth (9.9%)
 Return on equity 15.2%

2010 First-Quarter Premium Mix



National Interstate Corporation is a leading specialty property and casualty insurance holding company with a niche orientation and focus on the transportation industry. Founded in 1989, the Company has had an uninterrupted record of profitability in every year since 1990, its first full year of operation.

The Company focuses on niche insurance markets, offering insurance products designed to meet unique needs of targeted insurance buyers. These markets often possess barriers of entry, such as being too small, too remote, or too difficult to attract, or sustain competitors. National Interstate offers property and casualty insurance that can be grouped into the following business components: alternative risk transfer, also known as captive programs, primarily for transportation companies; transportation, primarily passenger and trucking; specialty personal lines primarily for recreational vehicles and small commercial vehicle accounts; and, transportation and general commercial insurance in Hawaii and Alaska.

National Interstate seeks to grow opportunistically through new product offerings that address a specialized need in the respective market and by enhancing coverages, distribution and product design for its existing products. This strategy has proven to be successful for the Company. National Interstate's diverse product structure continues to provide the Company with growth opportunities across all phases of the commercial insurance cycle. The Company's focus on profitability has helped it consistently achieve its return on equity (ROE) objective of 15%+ inflation. For 2009 the Company achieved a ROE of 19.1%, which exceed its annual ROE goal and compared favorably to the general trend in the insurance industry.

The Company recently entered into a definitive agreement to acquire Vanliner Insurance Company, a subsidiary of UniGroup, Inc., at a price equal to Vanliner's tangible book value. Vanliner, which wrote approximately \$104 million of gross moving and storage premiums in 2009, is a market leader in providing insurance for the moving and storage industry. The Company views the Vanliner acquisition as a complement to its existing insurance products and an extension of its successful specialty niche business model. The transaction is anticipated to close during the 2010 second quarter.

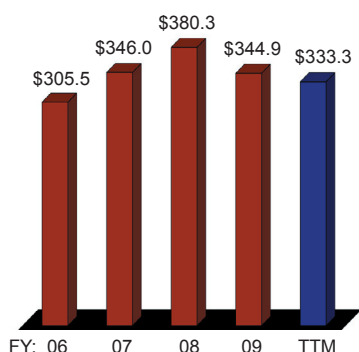
Proven Business Model

- Niche product focus.
- Each of the Company's 30+ products is headed by a product manager responsible for achieving that product's planned growth and profitability.
- Claims managed by the Company's claims professionals.
- Disciplined underwriting.
- Conservative investments.
- Effective use of reinsurance.

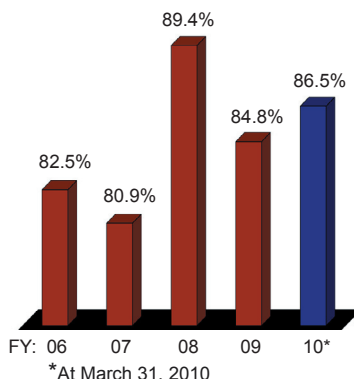
Strong Track Record

- Outstanding and consistent record of value creation, return on equity and profitable growth.
- Underwriting profit in 19 of the 21 years in business.
- Since its inception, the Company has consistently outperformed the property and casualty industry.
- Strong balance sheet and capital ratios.
- Increased quarterly dividend each year since going public in 2005.

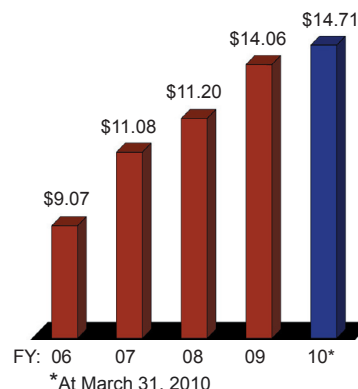
Gross Premiums Written
(in millions)



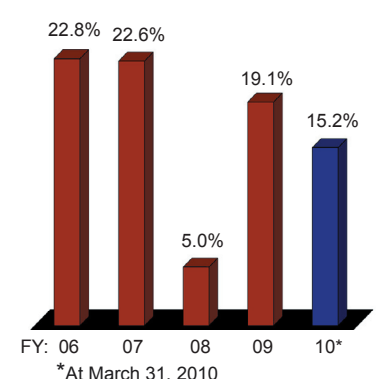
Combined Ratio



Book Value per Share



Return on Equity



2010 First-Quarter Financial Results

- * Net income of \$10.6 million, or \$0.55 per share
- * Book value per share of \$14.71 increased 4.6% in 2010 first quarter
- * ROE of 15.2%

The table below shows the Company's net income determined in accordance with U.S. generally accepted accounting principles (GAAP), reconciled between net income from operations, the change in the valuation allowance related to net capital losses, and net realized gains (losses) from investments, all of which are non-GAAP financial measures:

	Three Months Ended March 31,	
	(In thousands, except per share data)	
	2010	2009
Net after-tax earnings from operations	\$ 9,202	\$ 12,507
Change in valuation allowance related to net capital losses	\$ 810	\$ 124
After-tax realized gain from investments	\$ 574	\$ 15
Net income	<u>\$ 10,586</u>	<u>\$ 12,646</u>
Per share, diluted		
Net after-tax earnings from operations	\$ 0.48	\$ 0.64
Change in valuation allowance related to net capital losses	\$ 0.04	\$ 0.01
After-tax realized gains from investments	\$ 0.03	\$ --
Net income	<u>\$ 0.55</u>	<u>\$ 0.65</u>

Net earnings from operations: Net earnings from operations, comprised of underwriting income and recurring investment income, was \$9.2 million for the 2010 first quarter, a decrease of 26% compared to 2009 first quarter. The net earnings variance was primarily the result of a 7.5 percentage point increase when comparing combined ratios of 86.5% and 79.0% for the 2010 and 2009 first quarters, respectively. The 2009 first quarter underwriting results were favorably impacted by unusually low claims activity and underwriting expenses which compared to more typical claims results and slightly elevated underwriting expenses for the 2010 first quarter.

Claims: The loss and loss adjustment expense (LAE) ratio for the 2010 first quarter was 61.4% which the Company considers to be in the expected range when compared to recent results such as the 2009 fourth quarter and full year loss and LAE ratios of 61.8% and 60.8%, respectively. In contrast, the loss and LAE ratio for the 2009 first quarter was 4.8 percentage points better than the 2010 first quarter reflecting unusually low large claims activity for the 2009 period. During the 2010 first quarter, the Company experienced favorable development from prior year claims of \$1.7 million which reduced the loss and LAE ratio by 2.4 percentage points for the quarter.

Expenses: The underwriting expense ratio of 25.1% for the 2010 first quarter was slightly higher than the historical run rate. Niche products have varying commissions and other policy acquisition costs associated with them and, as a result, the mix of business written in a particular quarter contributes to quarterly fluctuations in the underwriting expenses. Additionally, the 2010 first quarter was elevated by approximately 0.8 percentage points due to legal and professional costs associated with the Vanliner acquisition and other product development efforts.

Investment Income: Net investment income of \$5.0 million for the 2010 first quarter was in line with the 2009 first quarter. The Company continues to experience lower yields during this

extended low interest rate environment when reinvesting proceeds from maturing holdings. During the 2010 first quarter the Company again added to its corporate debt holdings to help maintain yield and further diversify the portfolio.

Realized Gains from Investments: The Company reported net realized gains from investments for the fifth consecutive quarter. The Company has effectively responded to market opportunities to generate capital gains to supplement recurring investment income. The Company experienced pre-tax net realized gains from investments of \$0.9 million for the first quarter of 2010 compared to a breakeven pre-tax net realized gains from investments for the first quarter 2009. The Company remains conservative in its investment approach with a diversified and high quality portfolio. Cash equivalents, short-term, investment grade fixed income and investment grade preferred stock investments comprised approximately 95% of the portfolio at March 31, 2010. The fair value of the holdings at March 31, 2010 of the portfolio had a net unrealized gain of \$8.7 million.

Gross premiums written: Reported gross premiums written for the 2010 first quarter were below the 2009 first quarter, but two non-recurring items in the alternative risk transfer component need to be considered when comparing the two periods. The 2010 first quarter would have been approximately 7% above last year after adjusting for the two items which are explained below.

Alternative Risk Transfer (ART): The 2010 first quarter ART gross premiums written and comparisons to the 2009 first quarter were impacted by a change in the renewal date for one program and the residual impact of a decision made in late 2008 to reduce lines of coverage in another program. The change in the program renewal date will result in approximately \$11 million of premium that was reported in the 2009 first quarter to be reported in the 2010 third quarter. The Company reported approximately \$9 million less in premium written in the 2010 first quarter compared to the 2009 first quarter from the program with reduced lines of coverage. There will not be a similar impact on remaining 2010 quarter over quarter comparisons. Adjusting for these two items, the ART component grew approximately 9% in the 2010 quarter when compared to the 2009 first quarter. The ART growth was a combination of the continued near 100% renewal rate in our group captive programs and the addition of new insureds to our existing programs including the seven new programs added in 2009.

Transportation and Hawaii and Alaska: Competitive conditions continue to exist in these two traditional commercial insurance markets. However, for the first time in nearly two years, the transportation component grew when compared to the same prior year quarter. Transportation gross premiums written for the 2010 first quarter of \$18.1 million were 11.5% above the 2009 first quarter. In recent months, the Company increased its marketing efforts including geographic expansion of its paratransit product, expanded distribution sources, and emphasis on top-tier truck and passenger transportation accounts.

Specialty Personal Lines: Gross premiums written in the specialty personal lines component grew 4.8% for the 2010 first quarter compared to the same periods in 2009. The net growth in this component continues to be attributable to marketing initiatives related to the commercial vehicle product offset by declines in recreational vehicle. During the 2010 first quarter, the Company introduced commercial vehicle in two additional states, Alabama and Georgia, and continues to expand distribution sources for this product. The Company plans to further increase the number of states it markets commercial vehicle throughout the year.

	Three Months Ended March 31,			At March 31,	At Dec. 31,
	2010	2009		2010	2008
Operating Data:			Balance Sheet Data:		
Gross premiums written	\$ 105,804	\$ 117,418	Cash & investments	\$ 640,509	\$ 614,974
Net premiums written	\$ 81,454	\$ 88,473	Reinsurance recoverable	151,617	149,949
Premiums earned	\$ 70,181	\$ 69,439	Total assets	1,007,315	955,753
Net investment income	4,959	5,010	Unpaid losses and loss adjustment expenses	426,882	417,260
Net realized gains on investments	882	23	Long-term debt	15,000	15,000
Other	818	788	Total shareholders' equity	\$ 284,489	\$ 271,317
Total revenues	<u>76,840</u>	<u>75,260</u>	Book value per common share, basic	\$ 14.71	\$ 14.06
Losses & loss adjustment expenses	43,104	39,326	Common shares outstanding at period end	19,343	19,302
Commissions & other underwriting expenses	14,836	13,019			
Other operating & general expenses	3,626	3,292			
Expense on amounts withheld	809	867			
Interest expense	12	120			
Total expenses	<u>62,387</u>	<u>56,624</u>			
Income before income taxes	14,453	18,636			
Provision for income taxes	3,867	5,990			
Net income	<u>\$ 10,586</u>	<u>\$ 12,646</u>			
Per Share Data:			GAAP Ratios:		
Net income per common share, basic	\$ 0.55	\$ 0.66	Loss and loss adjustment expense ratio	61.4%	56.6%
Net income per common share, diluted	\$ 0.55	\$ 0.65	Underwriting expense ratio	25.1%	22.4%
Weighted average shares outstanding, basic	19,328	19,300	Combined ratio	86.5%	79.0%
Weighted average shares outstanding, diluted	19,409	19,353	Return on equity	15.2%	22.9%
Cash dividend per common share	\$ 0.08	\$ 0.07	Average shareholders' equity	\$ 277,903	\$ 220,491

(GAAP; in thousands except per-share data; unaudited)

This document, including any information incorporated by reference, contains "forward-looking statements" (within the meaning of Private Securities Litigation Reform Act of 1995). All statements trend analyses and other information relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as "may," "target," "anticipate," "believe," "plan," "estimate," "expect," "intend," "project," and other similar expressions, constitute forward-looking statements. We made these statements based on our plans and current analyses of our business and the insurance industry as a whole. We caution that these statements may and often do vary from actual results and the differences between these statements and actual results can be material. Accordingly, we cannot provide assurance that actual results will not differ from those expressed or implied by the forward-looking statements. Factors that could contribute to these differences include, among other things: general economic conditions, weakness of the financial markets and other factors, including prevailing interest rate levels and stock and credit market performance which may affect or continue to affect (among other things) our ability to sell our products and to collect amounts due to us, our ability to access

capital resources and the costs associated with such access to capital and the market value of our investments; customer response to new products and marketing initiatives; tax law changes; increasing competition in the sale of our insurance products and services and the retention of existing customers; changes in legal environment; regulatory changes or actions, including those relating to regulation of the sale, underwriting and pricing of insurance products and services and capital requirements; levels of natural catastrophes, terrorist events, incidents of war and other major losses; adequacy of insurance reserves; and availability of reinsurance and ability of reinsurers to pay their obligations. The forward-looking statements herein are made only as of the date of this report. The Company assumes no obligation to publicly update any forward-looking statements.

Please refer to the Company's investor relations website at <http://invest.NATL.com> for further financial and investor-related information.