

Key Statistics

NasdaqNATL
 A.M. Best rating....."A" (Excellent)
 Employees.....503
 Fiscal year ends December
 Websitewww.natl.com

Stock Information

Recent price*\$22.49
 52-week low-high..... \$17.57 - \$23.00
 Market capitalization*\$437.2MM
 Dividend (Yield)*.....\$0.36 (1.6%)
 TTM diluted EPS\$1.62
 TTM P*/E..... 13.88x

*At April 29, 2011

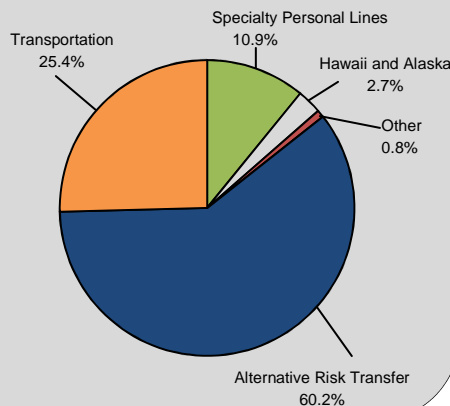
2010 Annual Results

Net earnings from operations \$30.5MM
 Combined ratio 92.1%
 Premium growth 27.0%
 Return on equity 13.6%

2011 First-Quarter Results

Net earnings from operations \$10.0MM
 Combined ratio 90.5%
 Premium growth 27.0%
 Return on equity 12.2%

2011 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 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 (ART), also known as captive programs, primarily for transportation companies; transportation, primarily passenger, truck, and moving and storage companies; 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 through new product offerings that address a specialized need in the respective market, by enhancing coverages, distribution, and product design for its existing products, and through strategic acquisitions. While growing, the Company has maintained strong underwriting and investment discipline to ensure sustained profitability. This profitable growth strategy has been successful and the Company is a recognized leader in its insurance markets as a result. The Company seeks to achieve a return on shareholders' equity of 15% plus inflation.

The Company's gross premiums written grew 27% and operating earnings per share increased 9% for the 2011 first quarter. The top line growth was due to the 2010 acquisition of Vanliner Insurance Company as well as growth in the ART component. The combination of higher earned premium, claims and underwriting expense results that were in line with expectations and increasing investment income contributed to the operating earnings.

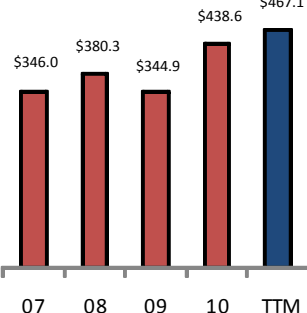
Proven Business Model

- Niche product focus
- Product managers responsible for growth and profitability
- Claims managed by the Company's claims professionals
- Disciplined underwriting
- High-quality investments
- Effective use of reinsurance

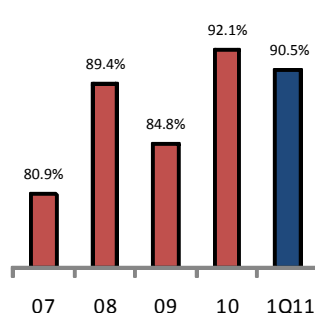
Strong Track Record

- Outstanding and consistent record of value creation for shareholders
- Underwriting profit in 20 of the 22 years in business
- Consistent outperformance of property and casualty industry since Company's inception
- Strong balance sheet and capital ratios
- Increased quarterly dividend each year since going public in 2005

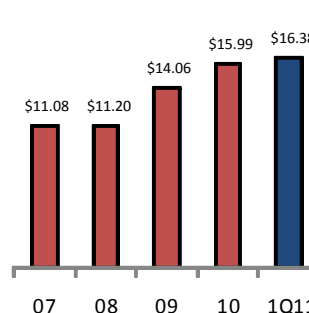
Gross Premiums Written (in Millions)



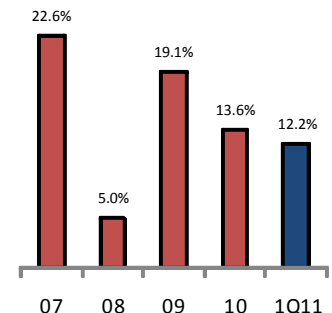
Combined Ratio



Book Value per Share



Return on Equity





Earnings (In thousands, except per share data)	Three Months Ended March 31,	
	2011	2010
Net after-tax earnings from operations	\$ 10,019	\$ 9,202
After-tax net realized gain from investments	780	574
Change in valuation allowance related to net capital losses	—	810
After-tax impact from balance sheet guaranty for Vanliner	<u>(1,271)</u>	<u>—</u>
Net Income	\$ 9,528	\$ 10,586
Per Share Diluted		
Net after-tax earnings from operations	\$ 0.52	\$ 0.48
After-tax net realized gain from investments	0.04	0.03
Change in valuation allowance related to net capital losses	—	0.04
After-tax impact from balance sheet guaranty for Vanliner	<u>(0.07)</u>	<u>—</u>
Net Income Per Share	\$ 0.49	\$ 0.55

Investments as of March 31, 2011 (In thousands)	Fair Value	Net Unrealized
		Gain/(Loss)
U.S. Government & Agencies	\$ 160,063	\$ 781
Foreign Government	5,650	(72)
State & Local Government	278,526	1,224
Mortgage Backed Securities	211,838	(589)
Corporate Obligations	247,372	4,435
Preferred Redeemable Securities	<u>12,746</u>	<u>(48)</u>
Total Fixed Maturities	\$ 916,195	\$ 5,731
Perpetual Preferred Stock	1,506	197
Common Stock	<u>42,894</u>	<u>3,225</u>
Total Equity Securities	\$ 44,400	3,422
Cash and Short-Term Investments	<u>\$ 25,079</u>	<u>\$ —</u>
Total	\$ 985,674	\$ 9,153

Gross Written Premium (Dollars in thousands)	Three Months Ended March 31,			
	2011		2010	
	Amount	Percent	Amount	Percent
Alternative Risk Transfer	\$ 80,861	60.2%	\$ 65,945	62.3%
Transportation	34,097	25.4%	18,052	17.1%
Specialty Personal Lines	14,660	10.9%	16,889	16.0%
Hawaii and Alaska	3,678	2.7%	4,001	3.8%
Other	<u>1,017</u>	<u>0.8%</u>	<u>\$ 917</u>	<u>0.8%</u>
Gross Premiums Written	\$ 134,313	100.0%	\$ 105,804	100.0%

Combined Ratio Analysis	Three Months Ended March 31,	
	2011	2010
Losses and loss adjustment expense ratio	67.0%	61.8%
Underwriting expense ratio	<u>25.2%</u>	<u>23.6%</u>
Combined ratio	96.1%	85.4%

NOTE: Excludes the runoff of the guaranteed Vanliner business

Income Statement (GAAP; in thousands except per-share data; unaudited)	Three Months Ended March 31,		Balance Sheet Data		At March 31,	At December 31,
	2011	2010			2011	2010
Gross premiums written	\$ 134,313	\$ 105,804	Cash & investments		\$ 985,674	\$ 965,204
Net premiums written	\$ 110,252	\$ 81,454	Reinsurance recoverable		205,825	208,590
Premiums earned	\$ 105,139	\$ 70,181	Amounts refundable on estimated purchase price of Vanliner		—	14,256
Net investment income	6,902	4,959	Intangible Assets		8,894	8,972
Net realized gains on investments	1,200	882	Total assets		1,497,932	1,488,605
Other income	<u>1,116</u>	<u>818</u>	Unpaid losses and loss adjustment expenses		798,559	798,645
Total revenues	114,357	76,840	Long-term debt		20,000	20,000
Losses & loss adjustment expenses	74,659	43,104	Total shareholders' equity		\$ 317,246	\$ 309,578
Commissions & other underwriting expenses	20,325	14,836	Book value per common share, basic		\$ 16.38	\$ 15.99
Other operating & general expenses	4,541	3,626	Common shares outstanding at period end		19,367	19,356
Expense on amounts withheld	840	809				
Interest expense	<u>54</u>	<u>12</u>				
Total expenses	<u>100,419</u>	<u>62,387</u>				
Income before income taxes	13,938	14,453				
Provision for income taxes	<u>4,410</u>	<u>3,867</u>				
Net Income	\$ 9,528	\$ 10,586				
Per Share Data:			ROE:		Three Months Ended March 31,	
Net income per common share, basic	\$ 0.49	\$ 0.55	Return on equity		2011	2010
Net income per common share, diluted	\$ 0.49	\$ 0.55	Average shareholders' equity		12.2%	15.2%
Weighted average shares outstanding, basic	19,366	19,328			\$ 313,412	\$ 277,903
Weighted average shares outstanding, diluted	19,475	19,409				
Cash dividend per common share	\$ 0.09	\$ 0.08				

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 tactical 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