

Key Statistics

Nasdaq	NATL
A.M. Best Rating	"A" (Excellent)
Employees	524
Fiscal year ends	December
Website	http://invest.natl.com

Stock Information

Recent price*	\$26.05
52-week low-high	\$19.59—\$27.37
Market capitalization	\$506.5MM
Dividend (Yield)*	\$0.36 (1.4%)
TTM diluted EPS	\$1.49
TTM P*/E	17.48x

*at November 1, 2011

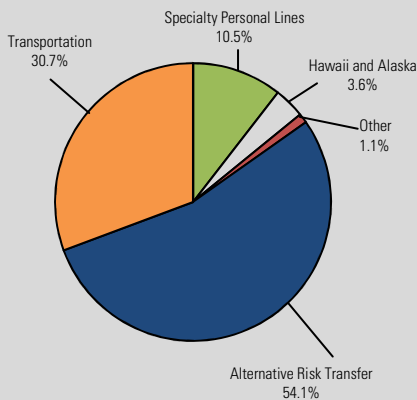
2011 YTD Results

Net earnings from operations	\$23.8MM
Combined ratio	95.2%
Premium growth	23.6%
Return on equity	9.7%

2011 Third-Quarter Results

Net earnings from operations	5.9MM
Combined ratio	98.8%
Premium growth	3.7%

2011 YTD Premium Mix



National Interstate Corporation (NATL) 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's insurance subsidiaries, including the three primary insurers, National Interstate Insurance Company, Vanliner Insurance Company, and Triumphant Casualty Company, are rated "A" (Excellent) by A.M. Best Company.

Focusing on niche markets, the company offers 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.

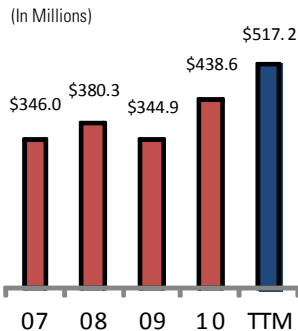
Proven Business Model

- * 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

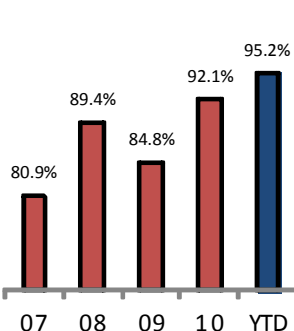
Strong Track Record

- * Outstanding and consistent record of value creation for shareholders
- * 21 consecutive years of profitability
- * Outperform industry since inception
- * Strong balance sheet and capital ratios
- * Quarterly dividend increased each year since IPO

Gross Premiums Written



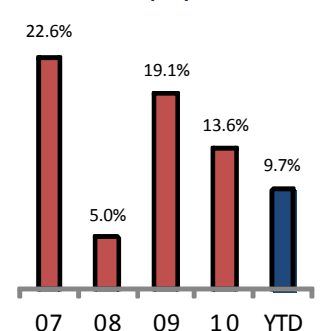
Combined Ratio



Book Value per Share



Return on Equity



Earnings (In thousands, except per share data)	Nine Months Ended September 30,	
	2011	2010
Net after-tax earnings from operations	\$ 23,757	\$ 23,406
After-tax net realized gain from investments	1,914	2,297
After-tax impact from balance sheet guaranty for Vanliner	(2,091)	—
Gain on bargain purchase of Vanliner	—	7,453
Change in valuation allowance related to net capital losses	—	810
Net Income	<u>\$ 23,580</u>	<u>\$ 33,966</u>
Per Share Diluted		
Net after-tax earnings from operations	\$ 1.22	\$ 1.21
After-tax net realized gain from investments	0.10	0.12
After-tax impact from balance sheet guaranty for Vanliner	(0.11)	—
Gain on bargain purchase of Vanliner	—	0.38
Change in valuation allowance related to net capital losses	—	0.04
Net Income Per Share	<u>\$ 1.21</u>	<u>\$ 1.75</u>

Investments as of September 30, 2011 (In thousands)	Fair Value	Net Unrealized Gain/(Loss)
	U.S. Government & Agencies	\$ 140,629
Foreign Government	5,749	66
State & Local Government	297,323	10,287
Mortgage Backed Securities	242,522	2,794
Corporate Obligations	248,705	4,910
Preferred Redeemable Securities	<u>9,700</u>	<u>(554)</u>
Total Fixed Maturities	\$ 944,628	\$ 24,276
Equity Securities	<u>\$ 27,746</u>	<u>\$ (2,575)</u>
Total Fixed Maturities and Equity Securities	<u>\$ 972,374</u>	<u>\$ 21,701</u>

Gross Premiums Written (Dollars in thousands)	Nine Months Ended September 30,			
	2011		2010	
	Amount	Percent	Amount	Percent
Alternative Risk Transfer	\$ 222,810	54.1%	\$ 179,753	54.0%
Transportation	126,512	30.7%	85,378	25.6%
Specialty Personal Lines	43,085	10.5%	49,467	14.9%
Hawaii and Alaska	14,672	3.6%	14,435	4.3%
Other	<u>4,580</u>	<u>1.1%</u>	<u>4,026</u>	<u>1.2%</u>
Gross Premiums Written	<u>\$ 411,659</u>	<u>100.0%</u>	<u>\$ 333,059</u>	<u>100.0%</u>

Combined Ratio Analysis	Nine Months Ended September 30,	
	2011	2010
Losses and loss adjustment expense ratio	71.4%	66.2%
Underwriting expense ratio	<u>23.8%</u>	<u>24.4%</u>
Combined ratio	<u>95.2%</u>	<u>90.6%</u>

NOTE: Excludes the runoff of the guaranteed Vanliner business

Income Statement (GAAP; in thousands except per-share data; unaudited)	Nine Months Ended September 30,		Balance Sheet Data	At September 30,	At December 31,
	2011	2010		2011	2010
Gross premiums written	<u>\$ 411,659</u>	<u>\$ 333,059</u>	Cash & investments	\$ 1,018,621	\$ 965,204
Net premiums written	<u>\$ 345,735</u>	<u>\$ 267,905</u>	Reinsurance recoverable	202,419	208,590
Premiums earned	\$ 319,550	\$ 251,280	Amounts refundable on estimated purchase price of Vanliner	—	14,256
Net investment income	22,321	16,411	Intangible Assets	8,738	8,972
Net realized gains on investments	2,944	3,534	Total assets	1,548,960	1,488,605
Gain on bargain purchase	—	7,453	Unpaid losses and loss adjustment expenses	797,356	798,645
Other income	<u>2,830</u>	<u>2,824</u>	Long-term debt	22,000	20,000
Total revenues	347,645	281,502	Total shareholders' equity	\$ 336,292	\$ 309,578
Losses & loss adjustment expenses	233,616	174,340	Book value per common share, basic	\$ 17.36	\$ 15.99
Commissions & other underwriting expenses	64,624	48,004	Common shares outstanding at period end	19,368	19,356
Other operating & general expenses	12,860	11,421			
Expense on amounts withheld	2,728	2,575			
Interest expense	<u>167</u>	<u>235</u>			
Total expenses	<u>313,995</u>	<u>236,575</u>			
Income before income taxes	33,650	44,927			
Provision for income taxes	<u>10,070</u>	<u>10,961</u>			
Net Income	<u>\$ 23,580</u>	<u>\$ 33,966</u>			
				Nine Months Ended September 30,	
Per Share Data:			ROE:	2011	2010
Net income per common share, basic	\$ 1.22	\$ 1.76	Return on equity	9.7%	15.6%
Net income per common share, diluted	\$ 1.21	\$ 1.75	Average shareholders' equity	\$ 322,935	\$ 290,511
Weighted average shares outstanding, basic	19,367	19,338			
Weighted average shares outstanding, diluted	19,477	19,431			
Cash dividend per common share	\$ 0.27	\$ 0.24			

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

An Insurance Experience Built Around You