

Key Statistics

NasdaqNATL
 A.M. Best rating....."A" (Excellent)
 Employees.....494
 Fiscal year ends December
 Websitewww.natl.com

Stock Information

Recent price*\$20.43
 52-week low-high..... \$17.52 - \$22.90
 Market capitalization*\$395.4MM
 Dividend (Yield)*.....\$0.32 (1.6%)
 2010 diluted EPS.....\$2.03
 2010 P*/E10.1x
 *At February 24, 2011

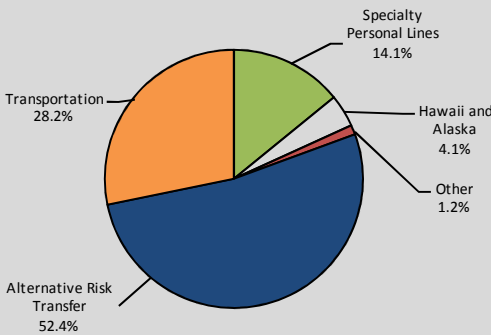
2010 Fourth Quarter Results

Net earnings from operations\$7.1MM
 Combined ratio 96.1%
 Premium growth 62.1%
 Return on equity 11.26%

2010 Annual Results

Net earnings from operations\$30.5MM
 Combined ratio92.1%
 Premium growth27.2%
 Return on equity 13.6%

2010 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.

During 2010 the Company acquired Vanliner Insurance Company. Vanliner, a market leader providing insurance for the moving and storage industry, represented the Company's first major acquisition. The Vanliner acquisition along with growth in the ART component contributed to an increase in gross premiums written of 27.2% for the 2010 full year.

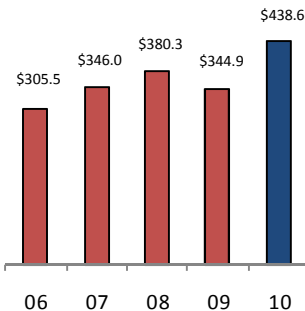
Proven Business Model

- 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

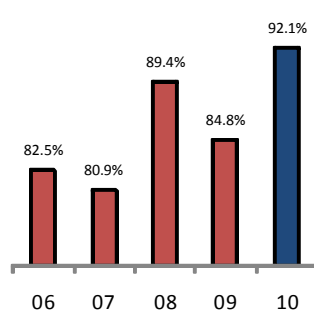
Strong Track Record

- 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

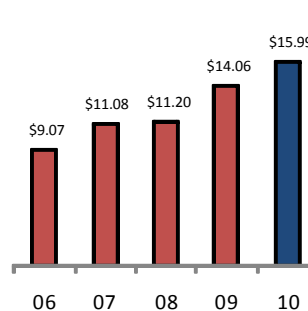
Gross Premiums Written (in Millions)



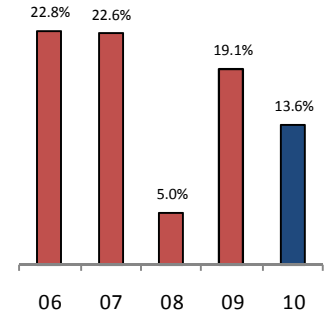
Combined Ratio



Book Value per Share



Return on Equity





Earnings (In thousands, except per share data)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Net after-tax earnings from operations	\$ 7,110	\$ 8,726	\$ 30,516	\$ 38,050
After-tax net realized gain from investments	514	475	2,811	1,664
Change in valuation allowance related to net capital	—	4,337	810	6,735
Gain on bargain purchase of Vanliner	—	—	7,453	—
After-tax impact from balance sheet guaranty for Vanliner	<u>(2,081)</u>	<u>—</u>	<u>(2,081)</u>	<u>—</u>
Net Income	<u>\$ 5,543</u>	<u>\$ 13,538</u>	<u>\$ 39,509</u>	<u>\$ 46,449</u>
Per Share Diluted				
Net after-tax earnings from operations	\$ 0.36	\$ 0.45	\$ 1.58	\$ 1.96
After-tax net realized gain from investments	0.03	0.03	0.14	0.09
Change in valuation allowance related to net capital	—	0.22	0.04	0.35
Gain on bargain purchase of Vanliner	—	—	0.38	—
After-tax impact from balance sheet guaranty for Vanliner	<u>(0.11)</u>	<u>—</u>	<u>(0.11)</u>	<u>—</u>
Net Income Per Share	<u>\$ 0.28</u>	<u>\$ 0.70</u>	<u>\$ 2.03</u>	<u>\$ 2.40</u>

Investments as of December 31, 2010 (In thousands)	Fair Value	Net Unrealized Gain/(Loss)
	U.S. Government & Agencies	\$ 184,857
Foreign Government	5,676	(65)
State & Local Government	270,015	2,049
Mortgage Backed Securities	202,308	(134)
Corporate Obligations	232,577	3,314
Preferred Redeemable Securities	<u>12,142</u>	<u>(285)</u>
Total Fixed Maturities	\$ 907,575	\$ 6,366
Perpetual Preferred Stock	1,363	54
Common Stock	<u>29,145</u>	<u>3,197</u>
Total Equity Securities	\$ 30,508	3,251
Cash and Short-Term Investments	<u>\$ 27,121</u>	<u>\$ —</u>
Total	<u>\$ 965,204</u>	<u>\$ 9,617</u>

Gross Premiums Written (Dollars in thousands)	Year Ended December 31,			
	2010		2009	
	Amount	Percent	Amount	Percent
Alternative Risk Transfer	\$ 229,844	52.4%	\$ 192,953	55.9%
Transportation	123,752	28.2%	66,537	19.3%
Specialty Personal Lines	61,662	14.1%	61,523	17.8%
Hawaii and Alaska	18,104	4.1%	18,576	5.5%
Other	<u>5,268</u>	<u>1.2%</u>	<u>5,288</u>	<u>1.5%</u>
Gross Premiums Written	<u>\$ 438,630</u>	<u>100.0%</u>	<u>\$ 344,877</u>	<u>100.0%</u>

Combined Ratio Analysis	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Losses and loss adjustment expense	70.9%	61.8%	67.5%	60.8%
Underwriting expense ratio	<u>25.2%</u>	<u>23.6%</u>	<u>24.6%</u>	<u>24.0%</u>
Combined ratio	<u>96.1%</u>	<u>85.4%</u>	<u>92.1%</u>	<u>84.8%</u>

NOTE: Excludes the runoff of the guaranteed Vanliner business

Income Statement: (GAAP; in thousands except per-share data; unaudited)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Gross premiums written	<u>\$105,571</u>	<u>\$ 65,131</u>	<u>\$438,630</u>	<u>\$344,877</u>
Net premiums written	<u>\$ 86,624</u>	<u>\$ 55,175</u>	<u>\$354,529</u>	<u>\$275,046</u>
Premiums earned	\$107,091	\$ 69,152	\$358,371	\$279,079
Net investment income	6,887	4,894	23,298	19,324
Net realized gains on investments	790	730	4,324	2,561
Gain on bargain purchase	-	-	7,453	-
Other income	<u>856</u>	<u>861</u>	<u>3,680</u>	<u>3,488</u>
Total revenues	115,624	75,637	397,126	304,452
Losses & loss adjustment expenses	82,068	42,703	256,408	169,755
Commissions & other underwriting expenses	19,635	13,680	67,639	57,245
Other operating & general expenses	5,776	3,496	17,197	13,076
Expense on amounts withheld	875	957	3,450	3,535
Interest expense	<u>59</u>	<u>314</u>	<u>294</u>	<u>717</u>
Total expenses	<u>108,413</u>	<u>61,150</u>	<u>344,988</u>	<u>244,328</u>
Income before income taxes	7,211	14,487	52,138	60,124
Provision for income taxes	<u>1,668</u>	<u>949</u>	<u>12,629</u>	<u>13,679</u>
Net Income	<u>\$ 5,543</u>	<u>\$ 13,538</u>	<u>\$ 39,509</u>	<u>\$ 46,449</u>
Per Share:				
Net income per common share, basic	\$ 0.29	\$ 0.70	\$ 2.04	\$ 2.41
Net income per common share, diluted	\$ 0.28	\$ 0.70	\$ 2.03	\$ 2.40
Weighted average shares outstanding, basic	19,357	19,302	19,343	19,301
Weighted average shares outstanding, diluted	19,484	19,392	19,452	19,366
Cash dividend per common share	\$ 0.08	\$ 0.07	\$ 0.32	\$ 0.28

Balance Sheet	At Dec. 31,	At Dec. 31,
	2010	2009
Cash & investments	\$ 965,204	\$ 614,974
Reinsurance recoverable	208,590	149,949
Amounts refundable on estimated purchase price of Vanliner	14,256	-
Intangible Assets	8,972	-
Total assets	1,488,605	955,753
Unpaid losses and loss adjustment expenses	798,645	417,260
Long-term debt	20,000	15,000
Total shareholders' equity	\$ 309,578	\$ 271,317
Book value per common share, basic	\$ 15.99	\$ 14.06
Common shares outstanding at period end	19,356	19,302
	Year Ended	December 31,
	2010	2009
ROE:		
Return on equity	13.6%	19.6%
Average shareholders' equity	\$ 290,448	\$ 243,696

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