

# NATIONAL INTERSTATE CORP

## **FORM 8-K** (Current report filing)

Filed 12/21/15 for the Period Ending 12/21/15

|             |  |
|-------------|--|
| Address     | 3250 INTERSTATE DRIVE<br>RICHFIELD, OH 44286 |
| Telephone   | (330) 659-8900                               |
| CIK         | 0001301106                                   |
| Symbol      | NATL   |
| SIC Code    | 6331 - Fire, Marine, and Casualty Insurance  |
| Industry    | Insurance (Prop. & Casualty)                 |
| Sector      | Financial                                    |
| Fiscal Year | 12/31  |

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): December 21, 2015**

**NATIONAL INTERSTATE CORPORATION**

(Exact name of registrant as specified in its charter)

**Ohio**

(State or other jurisdiction of incorporation)

**000-51130**

(Commission File Number)

**34-1607394**

(I.R.S. Employer Identification No.)

**3250 Interstate Drive, Richfield, OH**

(Address of principal executive offices)

**44286-9000**

(Zip Code)

**(Registrant's telephone number, including area code): (330) 659-8900**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 5.02      Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On December 21, 2015, National Interstate Corporation (the “Company”) announced that its Board of Directors has appointed Anthony (Tony) J. Mercurio, currently President and Chief Operating Officer of the Company, as President and Chief Executive Officer of the Company, effective May 5, 2016 (the “Transition Date”). The Company expects to nominate Mr. Mercurio for election to the Board of Directors at the Company’s 2016 annual meeting of shareholders.

Originally joining the National Interstate organization in 1997, Mr. Mercurio, age 42, has held numerous management and executive positions with the Company’s subsidiaries, National Interstate Insurance Company and Vanliner Insurance Company, throughout his tenure, including serving as chief executive officer of Vanliner Insurance Company from 2010 through 2012. Prior to joining the Company, Mr. Mercurio held various product and management positions with Westfield Insurance Company and American International Group. Mr. Mercurio has served as Chief Operating Officer of the Company since January 1, 2013 and also served as Executive Vice President of the Company from January 1, 2013 until November 12, 2015, when he was promoted to President.

Mr. Mercurio was not appointed to his new position pursuant to any arrangement or understanding with any other person, and he has no reportable transactions under Item 404(a) of Regulation S-K.

Mr. Mercurio will succeed David W. Michelson, who has served as the Company’s Chief Executive Officer since January 1, 2008. Effective as of the Transition Date, Mr. Michelson will retire from his position as Chief Executive Officer and will become a Senior Advisor to the Company to ensure an orderly transition of the Company’s management structure. Mr. Michelson will continue serving on the Board of Directors until the expiration of his current term as a director at the Company’s 2017 annual meeting of shareholders.

In connection with Mr. Mercurio’s appointment as Chief Executive Officer and Mr. Michelson’s appointment as a Senior Advisor, the Company entered into new employment agreements with Messrs. Mercurio and Michelson. The new employment agreements supersede and replace their existing employment agreements and arrangements with the Company, effective immediately, other than the Restricted Share Agreement, dated November 7, 2007, entered into between the Company and Mr. Michelson (the “Restricted Share Agreement”), which will remain in effect pursuant to its terms.

***Mercurio’s Employment Agreement***

Pursuant to Mr. Mercurio’s employment agreement, Mr. Mercurio’s annual salary will increase to \$410,000, effective on the Transition Date when he commences his service as Chief Executive Officer. The initial term of the employment agreement is from December 21, 2015 until December 31, 2017, after which time the agreement automatically renews for successive one year periods unless and until one party gives the other 120 days advance written notice of termination. Mr. Mercurio is eligible to receive an annual bonus with a target bonus of \$285,000 (i.e., an amount equal to 75% of his annual base salary as in effect as of the date of the agreement) for the 2015 accident year and \$410,000 (or such amount as is equal to 100% of his annual base salary) for the 2016 and subsequent accident years during his term of employment, subject to the terms and conditions of the Company’s Management Bonus Plan. The agreement also subjects Mr. Mercurio to customary confidentiality, non-competition and non-solicitation covenants. Mr. Mercurio also receives certain perquisites and paid time off and also participates in the Company’s Long-Term Incentive Plan and benefit plans in effect from time to time.

If Mr. Mercurio’s employment is terminated by the Company without cause, upon Mr. Mercurio’s death or disability, or by Mr. Mercurio for good reason, the Company will pay and provide to Mr. Mercurio (or to his estate, as the case may be) (1) his base salary at the rate in effect immediately before the termination through the later of the expiration of the initial term of his employment agreement or the first anniversary of his termination date, (2) prior year bonuses as if he were actively employed through the scheduled date of payment, (3) a pro rata portion of any bonus he would have received under the Management Bonus Plan had his employment continued through the year of termination, and (4) acceleration of any unvested stock options.

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The terms “cause” and “good reason” are each defined in the agreement. Cause generally means (1) a conviction of a felony or a crime involving moral turpitude, (2) dishonesty or wrongful misconduct, or a violation of any law or regulation, that is materially detrimental or adverse to the Company’s best interests, (3) violation of confidentiality, non-competition or non-solicitation covenants, or (4) abandonment or continuing neglect of duties. Good reason generally means (1) a reduction in base salary below the rate specified for the period following the Transition Date, (2) a decrease of a target bonus opportunity below 100% of Mr. Mercurio’s base salary (or 75%, if prior to the Transition Date), (3) the Company’s removal of Mr. Mercurio as Chief Executive Officer (other than for cause) and failure to reverse such removal within 30 days after receiving written notice from Mr. Mercurio objecting to such removal, or (4) a material change in his principal place of employment.

#### ***Michelson’s Employment Agreement***

Pursuant to the terms of his employment agreement, effective as of the Transition Date, Mr. Michelson will resign his position as Chief Executive Officer and will become a Senior Advisor for two years. Mr. Michelson’s annual salary will be \$250,000, effective as of the Transition Date, and he will be eligible to receive a bonus for the 2016 accident year on a pro rata basis from January 1, 2016 through the Transition Date, payable no later than March 31, 2017, subject to the terms and conditions of the Company’s Management Bonus Plan. Any bonuses accrued but not yet paid for prior accident years will also be paid no later than March 2017. Mr. Michelson will not be eligible for a bonus for any years following the 2016 accident year. Restricted shares previously granted to Mr. Michelson will continue to vest in accordance with the terms of the Restricted Share Agreement.

Mr. Michelson’s agreement also provides for certain perquisites during its term (car allowance and standard office perquisites) and participation by Mr. Michelson in the Company’s benefit plans in effect from time to time. The agreement also subjects Mr. Michelson to customary confidentiality, non-competition and non-solicitation covenants.

If Mr. Michelson’s employment is terminated by the Company without cause or by Mr. Michelson for good reason, the Company will pay and provide to Mr. Michelson all compensation and benefits to which Mr. Michelson would be entitled to under the agreement had he continued to work through the end of the employment term. Upon Mr. Michelson’s death or disability, the Company will pay to Mr. Michelson (or to his estate, as the case may be) any payments remaining owed to Mr. Michelson with respect to his base salary or the Company’s Management Bonus Plan.

The terms “cause” and “good reason” are each defined in the agreement. Cause generally means (1) a conviction of a felony or a crime involving moral turpitude, (2) dishonesty or wrongful misconduct, or a violation of any law or regulation, that is materially detrimental or adverse to the Company’s best interests, (3) violation of confidentiality, non-competition or non-solicitation covenants, or (4) abandonment or continuing neglect of duties. Good reason generally means (1) a material, uncured breach of the employment agreement by the Company or (2) a change in control of the Company.

A copy of the press release issued by the Company on December 21, 2015 is attached to this Current Report on Form 8-K (this “Current Report”) as Exhibit 99.1 and is incorporated herein by reference. The foregoing descriptions of Messrs. Mercurio’s and Michelson’s respective employment agreements are qualified in their entirety by reference to the full text of their employment agreements, which are filed as Exhibits 10.1 and 10.2 to this Current Report and are incorporated herein by reference.

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**ITEM 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 10.1               | Employment and Non-Competition Agreement dated December 21, 2015 between National Interstate Corporation and Anthony J. Mercurio. |
| 10.2               | Employment and Non-Competition Agreement dated December 21, 2015 between National Interstate Corporation and David W. Michelson.  |
| 99.1               | Press Release of National Interstate Corporation dated December 21, 2015.   |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**National Interstate Corporation**

By: /s/ Arthur J. Gonzales  
Arthur J. Gonzales  
Senior Vice President, General Counsel & Secretary

Date: December 21, 2015

## **EMPLOYMENT AND NON-COMPETITION AGREEMENT**

This Employment and Non-Competition Agreement (“Agreement”) is effective this 21st day of December 2015 (“Effective Date”) by and between National Interstate Corporation (“NATL”) and Anthony J. Mercurio (“Mercurio”).

In consideration of the mutual covenants set forth in this Agreement, NATL and Mercurio agree as follows:

1. **Employment; Term.** NATL shall employ Mercurio on the terms and subject to the conditions set forth in this Agreement. The term of Mercurio’s employment pursuant to this Agreement shall commence on the Effective Date and, subject to prior termination as provided in Section 15, shall continue through December 31, 2017 (“Initial Term”). Following the Initial Term, this Agreement shall automatically renew for successive one (1) year periods (each a “Renewal Term”) unless and until it is terminated by either party by providing written notice of termination to the other party at least 120 days prior to the effective date of such termination. The Initial Term and any Renewal Term are collectively referred to herein as the “Term.”

2. **Title, Duties and Responsibilities.**

(a) Effective May 5, 2016 (the “Transition Date”), (i) NATL’s Board of Directors (the “Board”) shall promote Mercurio to Chief Executive Officer of NATL (in addition to his current title of President) and (ii) Mercurio shall vacate the position of Chief Operating Officer of NATL. During the Term, Mercurio shall perform all such duties and have all such responsibilities that are consistent with his position as President and, following the Transition Date, Chief Executive Officer of NATL. During the Term, Mercurio will also serve certain subsidiaries of NATL in such executive capacities as may be mutually agreed upon from time to time by Mercurio and the respective Boards of Directors of such NATL subsidiaries, consistent with NATL’s past practice with respect to the President serving in such capacities.

(b) During the Term, Mercurio will devote his entire business time, energy, and talent to the business of, and to the furtherance of, the purposes and objectives of NATL and its Affiliates.

3. **Compensation.** All compensation payable to Mercurio under this Agreement will be subject to such withholding as required by applicable law.

(a) **Base Salary.** During the period between the Effective Date and the Transition Date, NATL will pay a base annual salary to Mercurio, in accordance with NATL’s normal payroll practices, at the rate of no less than \$380,000 per year. Following the Transition Date, NATL shall pay Mercurio, in accordance with NATL’s normal payroll practices, a base annual salary of not less than \$410,000 for the remainder of the Initial Term. Mercurio’s annual base salary will be subject to review and potential increase, but not decrease, in (i) connection with annual salary reviews to be conducted in accordance with NATL’s customary practice or (ii) at such other time or times as the Board may deem appropriate.

(b) **Annual Bonus.** Mercurio will be eligible for a bonus each year, subject to and in accordance with the rules of NATL’s Management Bonus Plan, with a target bonus of

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\$285,000 (i.e., an amount equal to 75% of his annual base salary as in effect as of the Effective Date) for the 2015 Accident Year and target bonus of \$410,000 (i.e., an amount equal to 100% of his annual base salary following the Transition Date) for the 2016 Accident Year. For each subsequent year during the Term, Mercurio's target bonus will equal 100% of his annual base salary in accordance with the terms of NATL's Management Bonus Plan unless otherwise modified by the Board.

(c) Restricted Stock Grants. Consistent with NATL's Long Term Incentive Plan, and such plan's Administrative Guidelines (collectively, the "LTIP"), Mercurio shall be granted Common Shares of NATL that are in accordance with his position and which are restricted subject to the LTIP's vesting schedule. Mercurio will also be eligible to receive Performance Share Awards pursuant to the LTIP.

4. Health, Life, and Disability Coverage.

(a) NATL will provide to Mercurio, during the Term, coverage under NATL's health insurance benefits plans, including the Flexible Spending Account program, subject to normal deductibles, premiums, and co-payments in effect from time to time and in accordance with the terms of such plans and program.

(b) NATL will provide to Mercurio, during the Term, the maximum levels of coverage available under NATL's Basic Life Insurance/Accidental Death and Dismemberment Plan in accordance with the terms of such plan.

(c) NATL will provide to Mercurio, during the Term, short term and long term (group and supplemental) disability coverage on substantially the same basis as was provided to him by NATL prior to the Effective Date in accordance with the terms of such coverages.

5. Savings and Profit Sharing Plan. Mercurio will be eligible, during the Term, to participate in NATL's Savings and Profit Sharing Plan with payroll deductions, company matches and ultimate distributions to be made in accordance with the provisions of such plan.

6. Office, Auto, and Perquisites. During the Term, Mercurio will be entitled to the continued use of an office and secretarial services appropriate to his position, to the continued use of an automobile (under NATL's Company Auto Program for Senior Officers), and to all standard officer perquisites that are provided to other senior officers of NATL.

7. Paid Time Off. During the Term, Mercurio will be entitled to Paid Time Off during each calendar year in accordance with NATL's Paid Time Off Policy, as applicable to senior executives of NATL and as in effect from time to time.

8. Reimbursement for Expenses. Subject to such limitations as may be reasonably imposed by NATL from time to time, NATL will reimburse Mercurio for reasonable, ordinary, and necessary business expenses incurred by him in furtherance of NATL's business, provided Mercurio accounts to NATL in a manner sufficient to substantiate deductions with respect to those expenses by NATL for federal income tax purposes.

9. Confidential Information. Notwithstanding any other provision of this Agreement, during and after the Term, Mercurio shall maintain the confidentiality of NATL and its subsidiaries' and affiliates' (collectively, the "Affiliates"; however, "Affiliates" do not include American Financial Group, Inc., Great American Insurance Company or their subsidiaries or

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affiliates) Confidential Information and shall refrain from using such Confidential Information (except in connection with Mercurio's job responsibilities herein) and disclosing it to anyone other than NATL and its Affiliates, their respective employees, and other entities that have a business relationship with NATL and have a need for such Confidential Information. For purposes of this Agreement, "Confidential Information" is information that Mercurio would not have acquired but for his employment by NATL and that NATL and its Affiliates endeavor to keep confidential, including without limitation, and regardless of whether such information is in a tangible medium of expression, accounting information, agency information, broker-marketing information, claims information, customer service information, employee information, financial information, information systems information, underwriting information, and any information provided by a third party to NATL in confidence. At the termination of this Agreement or otherwise upon NATL's demand, Mercurio will provide to NATL all records containing Confidential Information as well as any copies of it, including handwritten notes made or derived from Confidential Information or records, all of which are the property of NATL.

10. Activity Restraints. Mercurio agrees that he will not, while employed by NATL or at any time within 12 months after termination of his employment with NATL, whether as an individual for his own account, or as an employee, officer, director, significant shareholder, partner, member, agent, independent contractor, or consultant of any person, firm, corporation, or other entity engage in the following activities:

(a) Enter into or engage in any business that competes, directly or indirectly, with the NATL or its Affiliates;

(b) Have any contact, including discussions, negotiations, agreements, or understandings, with any insured, potential insured, agent, broker, or other entity of NATL with which NATL had discussions, negotiations, agreements or understandings with at any time during Mercurio's employment relating in any manner to competing insurance products that are identical to, substantially the same as, or an adequate substitute for any insurance products of NATL and that are, or could reasonably be anticipated to be, marketed or distributed in such a manner and in such a geographic area as to actually compete with such insurance products of NATL. Nothing in this Section 10 is intended to preclude Mercurio from seeking employment in any capacity (including with any insurance company) that is not in conflict or competition (directly or indirectly) with the then-current or contemplated business activities of NATL at the time of his termination.

11. Soliciting NATL Employees. Mercurio will not, either while employed by NATL or at any time within 12 months after termination of his employment with NATL, directly or indirectly, hire or solicit for hire any of NATL's employees to work for Mercurio or any person or entity with which Mercurio is associated other than NATL and its affiliates.

12. Remedies. Mercurio acknowledges that:

(a) The promises in Sections 9, 10 and 11 of this Agreement are reasonably necessary to protect the goodwill, trade secrets, and other business interests of NATL and will not cause Mercurio undue hardship.

(b) Any breach of these promises will cause NATL immediate irreparable harm for which injunctive relief, including an ex parte temporary restraining order, may be

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necessary. Injunctive relief will not preclude NATL from receiving any other relief to which it might be entitled.

(c) The promises in Sections 9, 10 and 11 of this Agreement are of the essence of this Agreement. They must be construed as independent of any other provision of this Agreement and the existence of any claim or cause of action of Mercurio against NATL, whether predicated on this Agreement or otherwise, will not constitute a defense to the enforcement by NATL of these promises.

13. Tolling. If any provisions of this Agreement are violated, then the time limitations set forth in this Agreement shall be extended for a period of time equal to the period of time during which such breach occurs, and, in the event that NATL is required to seek relief from such breach before any court, board, or other tribunal, then the time limitation shall be extended for a period of time equal to the pendency of such proceedings, including all appeals.

14. Construction of Agreement. Mercurio's promises in Sections 9, 10 and 11 of this Agreement are separate and independent. If any of these promises is declared invalid or unenforceable by any court, Mercurio's remaining promises and obligations shall remain in full force and effect. If any of the provisions contained in Sections 9, 10 or 11 of this Agreement are held to be unenforceable due to the duration or other aspect of the scope of those provisions, the parties agree that a court has the power to and should reduce the duration or scope of that provision and enforce the provision in its reduced form.

15. Termination.

(a) During the Term. If not earlier terminated, Mercurio's employment under this Agreement shall terminate in accordance with Section 1.

(b) Death or Disability. Mercurio's employment under this Agreement will terminate immediately upon Mercurio's death. NATL may terminate Mercurio's employment hereunder immediately upon giving notice of termination if Mercurio is disabled, by reason of physical or mental impairment, to such an extent that he has been unable to substantially perform his duties under this Agreement for an aggregate of 90 days (whether business or non-business days and whether or not consecutive) during any period of twelve consecutive calendar months.

(c) For Cause. NATL may terminate Mercurio's employment under this Agreement for "Cause" if:

(i) Mercurio is convicted of a felony (other than felonious operation of a motor vehicle) or a crime involving moral turpitude;

(ii) Mercurio commits an act or series of acts of dishonesty or wrongful misconduct, or a violation of any law or regulation, in the course of his employment that are materially injurious to NATL or materially inimical to the best interests of NATL and, if the act or acts are capable of being cured, Mercurio fails to cure or take all reasonable steps to cure within 30 days of notice from the Board to Mercurio;

(iii) Mercurio violates or continues to violate his obligations under any of Sections 9, 10 and 11 of this Agreement after the Board has advised him in writing to cease those activities;

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(iv) Other than for disability, Mercurio abandons or consistently fails to attempt to perform his duties and responsibilities under this Agreement at any time during the Term, in either case for 10 consecutive business days after written notice from the Board.

(d) Good Reason. Mercurio may terminate his employment under this Agreement for “Good Reason” if:

(i) NATL reduces Mercurio’s base salary below the rate specified for the period following the Transition Date in Section 3(a);

(ii) NATL fails to continue in effect a bonus plan that provides Mercurio with a target bonus opportunity consistent with Section 3(b);

(iii) the Board removes Mercurio as Chief Executive Officer (other than for Cause) and fails to reverse such removal within 30 days of receiving written notice from Mercurio objecting to such removal; or

(iv) Mercurio is required to relocate his principal place of employment with NATL to a location that is more than 235 miles (by straight line measurement) from the site of NATL’s headquarters in Richfield, Ohio as of the Effective Date.

16. Payments Upon Termination.

(a) Upon Termination Without Cause or for Good Reason. If Mercurio’s employment under this Agreement is terminated by NATL without Cause or by Mercurio for Good Reason, NATL will pay and provide to Mercurio compensation and benefits as follows:

(i) Base Salary. NATL will continue to pay base salary to Mercurio, at the rate in effect immediately before the date on which his employment is terminated (the “Termination Date”), through the last to occur of (A) the expiration of the Initial Term, and (b) the first anniversary of the Termination Date.

(ii) Prior Year Bonuses. Solely for purposes of determining Mercurio’s eligibility to earn bonuses with respect to any year that ends on or before the Termination Date (a “Prior Year”), Mercurio will be deemed to be in the active employ of NATL indefinitely after the Termination Date. Accordingly, any bonus payments attributable to a Prior Year that would otherwise be paid to Mercurio after the Termination Date (with the original requirement that he be in the active employ of NATL at the scheduled time of the bonus payment) will be paid to Mercurio or to his estate as if he remained in the employ of NATL through the date of each scheduled bonus payment.

(iii) Pro Rata Partial Year Bonus. If the Termination Date is not the last day of a calendar year and NATL determines, in accordance with the terms of the Management Bonus Plan, to pay bonuses to senior management members with respect to the calendar year in which the termination occurs, then NATL will pay to Mercurio, as a pro rata bonus for the year in which the termination occurs, an amount equal to (x) the percentage payout of the bonus pool for such year as confirmed by NATL’s Compensation Committee multiplied by (y) his target bonus for the entire calendar year multiplied by a fraction, the numerator of which is the number of months during which he was employed by NATL during the year (rounded up to the next highest number of months) and the denominator of which is 12. For illustration purposes only, if Mercurio is terminated without cause on any date in November 2016, and NATL meets

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applicable underwriting profit and growth targets under the Management Bonus Plan for the Compensation Committee to approve a 50% payout of the bonus pool for 2016, then Mercurio would be entitled to a pro rata bonus equal to 50% of his 100% target bonus multiplied by 11/12ths. If NATL does not pay bonuses under the Management Bonus Plan to senior management members for the calendar year in which the termination occurs, NATL will not pay any pro rata bonus to Mercurio for that calendar year. Any pro rata bonus that is payable to Mercurio under this section will be paid at the same time or times and in the same relative proportions as bonuses for that year are paid to continuing senior management members and Mercurio will be deemed, for these purposes, to be in the active employ of NATL indefinitely after the Termination Date.

(iv) Benefits. NATL will continue to provide to Mercurio through the end of the Term all benefits under this Agreement to which he would be entitled if he had remained in the employ of NATL through the end of the Term.

(v) Full Vesting of Outstanding Stock Options. All unvested options for the purchase of Common Shares of NATL that Mercurio holds as of the Termination Date will become fully vested and exercisable as of the Termination Date and Mercurio will have a period of 90 days following the Termination Date within which to exercise any and all of those options that then remain unexercised. NATL will take such steps with respect to Mercurio's outstanding stock options as are necessary to cause the acceleration of vesting contemplated by this Section 16(a)(v). For the avoidance of doubt, if NATL gives 120 days written notice to Mercurio of its intention that the Agreement no longer remain in effect (as contemplated by the last sentence of Section 15(a)), the date on which the Agreement expires pursuant to that notice will be the Termination Date for purposes of this Section 16(a) and NATL will be deemed to have terminated Mercurio's employment without Cause as of the Termination Date.

(b) Upon Death or Disability. If (i) Mercurio's employment is terminated upon his death or disability as provided in Section 15(b) and (ii), at the time of termination, Mercurio is not in breach of his obligations under any of Sections 9, 10 or 11 above, then NATL will pay and provide to Mercurio (or to his successor in interest) the same compensation and benefits to which he would have been entitled if the termination had been by NATL without Cause, all as provided in Section 16(a) above.

(c) Upon Any Other Termination. Upon any termination of Mercurio's employment other than a termination (i) by NATL without Cause, (ii) by Mercurio for Good Reason, or (iii) upon Mercurio's death or disability, NATL will pay to Mercurio all unpaid cash compensation accrued through the effective date of termination but will not be obligated to make any further payment or to provide any further benefit to Mercurio under this Agreement.

## 17. Arbitration.

(a) Procedures. Except as otherwise provided in Section 17(d) with respect to injunctive relief, any controversy, claim, or dispute arising out of or relating to this Agreement, or the breach of any provision of this Agreement, or relating to Mercurio's employment, will be submitted to binding arbitration in Cleveland, Ohio in accordance with the Arbitration Rules of the American Arbitration Association. The arbitration will be conducted by a single arbitrator selected from the list of arbitrators maintained by the American Arbitration Association under its

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Employment Program or any successor program as follows: (i) the American Arbitration Association (at the request of either or both parties) will provide a list of the names of seven disinterested potential arbitrators, (ii) NATL will delete one name from the list, (iii) Mercurio will delete one name from the shortened list, (iv) the procedure in (ii) and (iii) will be repeated alternately until only the name of one potential arbitrator remains on the list and that potential arbitrator will be the arbitrator. If either NATL or Mercurio fails to cooperate reasonably in the selection of a single arbitrator, the other of them may request that the American Arbitration Association name as the arbitrator any one of the potential arbitrators (as selected by the party making the request) still remaining on the original list of seven at the time of the failure to cooperate. The decision by the arbitrator will be final and binding on the parties to this Agreement. Judgment upon the decision rendered by the arbitrator may be entered in any court having appropriate jurisdiction.

(b) Fees and Expenses. The expenses of the arbitration and any related proceedings of the type referred to in Section 17(d) (other than the legal fees and expenses incurred by Mercurio in connection with the arbitration and related proceedings) will be paid by NATL. The reasonable legal fees and expenses incurred by Mercurio in connection with the arbitration and related proceedings will also be paid by NATL unless the arbitrator rules that Mercurio had no reasonable grounds for the position propounded by him in the arbitration (which determination need not be made simply because Mercurio fails to succeed in the arbitration and related proceedings).

(c) Interest. If the arbitrator determines that NATL has failed to timely pay any amount or provide any benefit to Mercurio, Mercurio will be entitled to receive, in addition to the payment or benefit itself, interest on the unpaid amount or on the value of the benefit not provided, at the then-current London Interbank Offered Rate (LIBOR), from the date on which the payment or benefit should have been made or provided to the date on which the payment or benefit is made or provided.

(d) Injunctive Relief. Any party to a dispute, claim, or controversy described in Section 17(a) will be entitled to apply to any court of competent jurisdiction for injunctive relief at any time before the arbitrator has been appointed and has affirmatively accepted the obligation to determine the extent to which injunctive relief should be continued or granted. Any injunctive relief granted by a court of competent jurisdiction will be subject to modification or termination by the arbitrator once the arbitrator has affirmatively accepted that obligation.

18. Notices. Any notice, request or instruction to be given hereunder by either party to the other will be in writing and will be deemed to have been given (a) when it is delivered in person to Mercurio or to the individual to whose attention notices to NATL are to be given, as the case may be, or (b) the first business day after it is sent by nationally recognized overnight courier, addressed as provided below, or to such other addresses as may be designated by written notice to the other party:

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If to NATL:

National Interstate Corporation  
3250 Interstate Drive  
Richfield, OH 44286  
Attention: General Counsel

If to Mercurio:

4502 Forest Brooke Court South  
Richfield, OH 44286

19. Assignment and Binding Effect. The obligations of the parties hereunder may not be assigned or transferred, except upon the written consent of the other party hereto; except that NATL may assign the benefit of this Agreement to any of its affiliates. This Agreement will be binding upon and inure to the benefit of Mercurio and NATL and their permitted assigns.

20. Entire Agreement. This Agreement supersedes all prior agreements between the parties relating to the subject matter discussed herein and constitutes the entire Agreement between the parties as respects the rights and duties of the parties to this Agreement with respect to that subject matter. There are no other promises or obligations relating to those rights and duties except as contained in this Agreement.

21. Governing Law, Venue. The provisions of this Agreement will be governed by and construed in accordance with the laws of the State of Ohio applicable to contracts made in and to be performed exclusively within that State, notwithstanding any conflict of law provision to the contrary. Subject to the mandatory arbitration provisions of Section 17, the parties consent to venue and personal jurisdiction over them in the courts of the State of Ohio and federal courts sitting in the State of Ohio, for purposes of construing and enforcing this Agreement.

22. Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code ("Section 409A") or are exempt therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered so as to be in compliance therewith.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A, and for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Section 409A.

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided

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during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made on or before the last day of Mercurio's taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder.

(d) Notwithstanding anything contained in this Agreement to the contrary, if Mercurio is a "specified employee," as determined under NATL's policy for identifying specified employees on the date of termination, then to the extent required in order to comply with Section 409A, all payments, benefits or reimbursements paid or provided under this Agreement that constitute a "deferral of compensation" within the meaning of Section 409A, that are provided as a result of a "separation from service" within the meaning of Section 409A and that would otherwise be paid or provided during the first six months following such date of termination shall be accumulated through and paid or provided (without interest), within 20 calendar days after the first business day that is more than six months after the date of his separation from service (or, if Mercurio dies during such six-month period, within 20 calendar days after Mercurio's death).

In witness whereof, the parties have executed this Agreement as of the date first written above.

NATIONAL INTERSTATE CORPORATION

By: /s/ David W. Michelson  
*Pursuant to authorization of the Board of  
Directors*

Name: David W. Michelson

Title: Chief Executive Officer

/s/ Anthony J. Mercurio  
Anthony J. Mercurio

## EMPLOYMENT AND NON-COMPETITION AGREEMENT

This Employment and Non-Competition Agreement (“Agreement”) is effective this 21<sup>st</sup> day of December 2015 (“Effective Date”) by and between National Interstate Corporation (“NATL”) and David W. Michelson, the current Chief Executive Officer of NATL (“Michelson”).

As part of an orderly transition of NATL’s management structure, Michelson has agreed to resign as Chief Executive Officer of NATL, and NATL and Michelson have agreed that Michelson will continue to be employed by NATL as a Senior Advisor following such resignation, in each case in accordance with the terms of this Agreement.

In consideration of the mutual covenants set forth in this Agreement, NATL and Michelson agree as follows:

1. Employment Term. Michelson shall continue to serve as Chief Executive Officer of NATL from the Effective Date until May 5, 2016 (the “Transition Date”) at the base salary level in effect as of the Effective Date. Effective as of the Transition Date, Michelson shall resign as Chief Executive Officer of NATL and from all directorships or officer positions Michelson may hold with any Affiliates (as defined below). Immediately following such resignation, Michelson will be employed by NATL as Senior Advisor for a period of two (2) years following the Transition Date, subject to prior termination as provided in Section 17 (“Term”).

2. Duties and Responsibilities. During the Term, Michelson shall perform such duties and have such responsibilities as may be assigned to him by the Chairman of NATL’s Board of Directors (the “Board”) or the successor Chief Executive Officer of NATL. Michelson shall devote such time as is reasonably necessary to perform such duties and responsibilities.

3. Compensation. Following the Transition Date and during the remainder of the Term, NATL shall pay Michelson a base salary of \$250,000 per year, subject to applicable withholdings and in accordance with NATL’s (or its Affiliate’s) normal payroll cycle (with a partial installment due at the end of the Term if the end of the Term does not coincide with the end of a payroll period).

4. Management Bonus Plan. Upon Michelson’s resignation on the Transition Date, Michelson shall participate in NATL’s Management Bonus Plan for the 2016 Accident Year on a pro rata basis from January 1, 2016 through the Transition Date, payable no later than March 31, 2017 in accordance with the terms of such plan. In addition, any amounts accrued for Michelson but not yet paid for any Accident Years prior to the 2016 Accident Year shall also be paid in full no later than March 2017 in accordance with the terms of such plan. Michelson shall no longer be eligible to participate in NATL’s Management Bonus Plan for any years following the 2016 Accident Year.

5. Service on the Board. Unless this Agreement is terminated by NATL for Cause, Michelson will continue to serve on the Board until his current directorship term expires in 2017. Michelson will not be entitled to any director compensation for his service on the Board during the Term. Following the Term, if Michelson continues to serve as director, he shall be entitled to

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receive director compensation consistent with NATL's then-current policy for the compensation of directors. Notwithstanding any other provision of this Agreement, upon the termination of Michelson's employment for Cause, Michelson shall immediately resign from the Board. Michelson agrees to execute any and all documentation to effectuate such resignation upon request by NATL, but Michelson shall be deemed for all purposes as having so resigned upon termination of his employment for Cause, regardless of when or whether he executed any such documentation.

6. Restricted Share Agreement. NATL and Michelson are parties to a Restricted Share Agreement, dated November 7, 2007 (the "Restricted Share Agreement"), whereby Michelson was granted 84,000 Common Shares of NATL to be vested in one-seventh portions every January 1<sup>st</sup> for seven consecutive years. It is acknowledged by NATL and Michelson that two one-seventh portions, equaling a total of 24,000 Common Shares, still remain to be vested to Michelson at 12,000 Common Shares on January 1, 2016 and January 1, 2017, respectively. Nothing in this Agreement shall be construed to impact the Restricted Share Agreement and it is acknowledged that the Restricted Share Agreement remains in full force and effect pursuant to its terms.

7. Health, Life, and Disability Coverage.

(a) NATL will continue to provide to Michelson, throughout the Term, coverage under NATL's health insurance plan, life and disability benefits plans, including the Flexible Spending Account program, subject to normal deductibles, premiums, and co-payments in effect from time to time and in accordance with the terms of such plans and programs. If, upon termination of his employment with NATL, Michelson is eligible for continued benefits under COBRA, NATL will provide him with written notification of such under separate cover.

(b) NATL will continue to provide to Michelson, throughout the Term, the maximum levels of coverage available under NATL's Basic Life Insurance/Accidental Death and Dismemberment Plan in accordance with the terms of such plan.

(c) NATL will continue to provide to Michelson, throughout the Term, group short term and long term disability coverage on substantially the same basis as was provided to him during 2016 in accordance with the terms of such coverages.

(d) It is agreed by NATL and Michelson that Michelson shall not accrue, earn or otherwise receive any Paid Time Off after the Transition Date for any reason.

8. National Interstate Savings and Profit Sharing Plan. Michelson will continue to be eligible, throughout the Term, to participate in NATL's Savings and Profit Sharing Plan with payroll deductions, company matches and ultimate distributions to be made in accordance with the provisions of that plan.

9. Auto and Office. Throughout the Term, Michelson will be entitled to continued use of his current company leased automobile (under NATL's Company Auto Program for Senior Officers). If the lease for such automobile expires during the Term, Michelson will be eligible to receive another company leased automobile at the same cost to NATL. During the Term, NATL shall assist Michelson in establishing a home office or reimburse Michelson for the reasonable and documented costs incurred by Michelson in connection with establishing a home office,

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which shall include computer, telephone, and related support.

10. Reimbursement for Expenses. Subject to such limitations as may be reasonably imposed by NATL from time to time, NATL will reimburse Michelson for reasonable, ordinary, and necessary business expenses incurred by him in furtherance of NATL's business, provided that Michelson accounts to NATL in a manner sufficient to substantiate deductions with respect to those expenses by NATL for federal and/or state income tax purposes. Such expenses will be submitted to NATL's Chief Financial Officer and the Chairman of the Board will be responsible for approving Michelson's expenses consistent with NATL's then-current policy for the reimbursement of such expenses.

11. Confidential Information. Notwithstanding any other provision of this Agreement, upon the Effective Date and during and after the Term, Michelson agrees to maintain the confidentiality of all Confidential Information of NATL or any of its affiliates or subsidiaries (collectively "Affiliates") and will refrain from using such Confidential Information (except in connection with his job responsibilities) and disclosing it to anyone other than NATL or its Affiliates, their respective officers and other employees, and other entities that have a business relationship with NATL or its Affiliates and have a need for such Confidential Information. For purposes of this Agreement, "Confidential Information" is information of NATL or its Affiliates that Michelson would not have acquired but for his employment by NATL and that NATL and its Affiliates endeavor to keep confidential, including without limitation, and regardless of whether such information is in a tangible medium of expression, accounting information, agency information, broker-marketing information, claims information, customer service information, employee information, financial information, information systems information, underwriting and rating information, and any other information provided by a third party to NATL or its Affiliates in confidence. Upon NATL's request, Michelson will provide to NATL all records (including copies of such records) containing Confidential Information, including handwritten notes made or derived from any Confidential Information.

12. Activity Restraints. Subject to the exceptions listed below, Michelson agrees that he shall not, during the Term or at any time within 36 months after the Term, whether as an individual on his own account, or as an employee, officer, director, shareholder, partner, member, agent, independent contractor, or consultant of any person, firm, corporation, or other entity engage in the following activities:

- (a) Enter into or engage in any business that competes, directly or indirectly, with NATL or its Affiliates;
  - (b) Have any contact, including discussions, negotiations, agreements, or understandings, with any insured, potential insured, agent, broker, or other person or entity with which NATL or its Affiliates had discussions, negotiations, agreements or understandings with at any time during Michelson's employment relating in any manner to competing insurance products that are identical to, substantially the same as, or an adequate substitute for any insurance products of NATL or its Affiliates and that are, or could reasonably be anticipated to be, marketed or distributed in such a manner and in such a geographic area as to actually compete with such insurance products of NATL or its Affiliates.
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13. Hiring or Soliciting NATL Employees. Without the prior written consent of NATL's Chief Executive Officer, during the Term or at any time within 36 months after the Term, Michelson will not, directly or indirectly, hire or solicit for hire any employees of NATL or its Affiliates to work for him or any entity with which Michelson is associated.

14. Remedies. Michelson acknowledges that:

(a) The promises in Sections 11, 12 and 13 of this Agreement are reasonably necessary to protect the goodwill, trade secrets, and other business interests of NATL and will not cause Michelson undue hardship.

(b) Any breach of these promises will cause NATL immediate irreparable harm for which injunctive relief, including an ex parte temporary restraining order, may be necessary. Injunctive relief will not preclude NATL from receiving any other relief to which it might be entitled.

(c) The promises in Sections 11, 12 and 13 of this Agreement are an important essence of this Agreement and each must be construed as independent of any other provision of this Agreement.

15. Construction of Agreement. Michelson's promises in Sections 11, 12, and 13 of this Agreement are separate and independent. If any of these promises is declared invalid or unenforceable by any court, Michelson's remaining promises and obligations shall remain in full force and effect. If any of the provisions contained in Sections 11, 12 and 13 of this Agreement are held to be unenforceable due to the duration or other aspect of the scope of those provisions, the parties agree that a court has the power to and should reduce the duration or scope of that provision and enforce the provision in its reduced form.

16. Survival. Sections 11 through 14 shall survive termination of this Agreement or termination of employment before the end of the Term.

17. Termination of Employment.

(a) Expiration of Term. If his employment is not earlier terminated, Michelson's employment under this Agreement shall terminate at the close of business on the last day of the Term that is specified in Section 1.

(b) Death or Disability. Michelson's employment under this Agreement will terminate immediately upon his death. NATL may terminate Michelson's employment hereunder immediately upon giving notice of termination if Michelson is disabled, by reason of physical or mental impairment, to such an extent that he has been unable to substantially perform his duties under this Agreement for an aggregate of 90 days (whether business or non-business days and whether or not consecutive) during any period of twelve consecutive calendar months.

(c) For Cause. NATL may terminate Michelson's employment under this Agreement for "Cause" if, before the end of the Term:

(i) Michelson is convicted of a felony (other than felonious operation of a motor vehicle) or a crime involving moral turpitude;

(ii) Michelson commits an act or series of acts of dishonesty or wrongful misconduct, or a violation of any law or regulation, in the course of his employment

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that are materially injurious to NATL or materially inimical to the best interests of NATL and, if the act or acts are capable of being cured, Michelson fails to cure or take all reasonable steps to cure within 30 days of notice from the Board to Michelson;

(iii) Michelson violates, or continues to violate, his obligations under any of Sections 11, 12 and 13 of this Agreement after the Board has advised him in writing to cease such activities; or

(iv) Other than for disability, Michelson abandons or consistently fails to attempt to perform his duties and responsibilities under this Agreement at any time during the Term, in either event, for 30 consecutive days after Michelson's receipt of written notice from the Board.

(d) For Good Reason. Michelson may terminate his employment under this Agreement for "Good Reason" if, before the end of the Term:

(i) NATL materially breaches its obligations under this Agreement and, if such breach is curable, NATL fails to cure (or take reasonable steps to cure) such breach within 30 days of the Board receiving written notice of such breach from Michelson; or

(ii) NATL undergoes a Change in Control (as that term is defined in NATL's Long Term Incentive Plan).

18. Payments Upon Termination.

(a) Upon Termination Without Cause or For Good Reason. If Michelson's employment under this Agreement is terminated before the end of the Term by NATL without Cause or by Michelson for Good Reason, NATL will pay and provide to Michelson all compensation and benefits to which he would be entitled under this Agreement had he lived and continued in the employ of NATL under this Agreement throughout the end of the Term. Payments will be made on the same schedule called for in this Agreement.

(b) Upon Death or Disability. In the event of Michelson's disability (as described in Section 17(b) or death, but only if he is not then in breach of Sections 11, 12 and 13) any payments remaining under Sections 3 and 4 will be made to him in the case of disability or his estate in the event of his death. Payments will be made on the same schedule called for in those Sections.

(c) Upon Any Other Termination. Upon any termination of Michelson's employment before the end of the Term other than a termination (i) by NATL without Cause, (ii) by Michelson for Good Reason, or (iii) due to Michelson's death or disability, NATL will pay to Michelson all unpaid cash compensation accrued through the effective date of termination but will not be obligated to make any further payment or to provide any further benefit to Michelson under this Agreement.

19. Arbitration.

(a) Procedures. Except as otherwise provided in Section 19(d) with respect to injunctive relief, any controversy, claim, or dispute arising out of or relating to this Agreement, or the breach of any provision of this Agreement or relating to Michelson's employment, will be submitted to binding arbitration in Cleveland, Ohio in accordance with the Employment

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Arbitration Rules of the American Arbitration Association. The arbitration will be conducted by a single arbitrator selected from the list of arbitrators maintained by the American Arbitration Association under its Employment Program or any successor program as follows: (i) the American Arbitration Association (at the request of either or both parties) will provide a list of the names of seven disinterested potential arbitrators, (ii) NATL will delete one name from the list, (iii) Michelson will delete one name from the shortened list, (iv) the procedure in (ii) and (iii) will be repeated alternately until only the name of one potential arbitrator remains on the list and that potential arbitrator will be the named arbitrator. If either NATL or Michelson fails to cooperate reasonably in the selection of a single arbitrator, the other of them may request that the American Arbitration Association name as the arbitrator any one of the potential arbitrators (as selected by the party making the request) still remaining on the original list of seven at the time of the failure to cooperate. The decision by the arbitrator will be final and binding on the parties to this Agreement. Judgment upon the decision rendered by the arbitrator may be entered in any court having appropriate jurisdiction.

(b) Fees and Expenses. The expenses of the arbitration and any related proceedings of the type referred to in Section 19(d) (other than the attorney fees, costs and expenses incurred by Michelson in connection with the arbitration and related proceedings) will be paid by NATL. The reasonable legal attorney fees, costs and expenses incurred by Michelson in connection with the arbitration and related proceedings will also be paid by NATL.

(c) Interest. If the arbitrator determines that NATL has failed to timely pay any amount or provide any benefit to Michelson, Michelson will be entitled to receive, in addition to the payment or benefit itself, interest on the unpaid amount or on the value of the benefit not provided, at the then-current London Interbank Offered Rate (LIBOR), from the date on which the payment or benefit should have been made or provided to the date on which the payment or benefit is made or provided.

(d) Injunctive Relief. Any party to a dispute, claim, or controversy described in Section 19(a) will be entitled to apply to any court of competent jurisdiction for injunctive relief at any time before the arbitrator has been appointed and has affirmatively accepted the obligation to determine the extent to which injunctive relief should be continued or granted. Any injunctive relief granted by a court of competent jurisdiction will be subject to modification or termination by the arbitrator once the arbitrator has affirmatively accepted that obligation.

20. Notices. Any notice, request or instruction to be given hereunder by either party to the other will be in writing and will be deemed to have been given (a) when it is delivered in person to Michelson or to the individual to whose attention notices to NATL are to be given, as the case may be, or (b) the first business day after it is sent by a nationally recognized overnight courier, addressed as provided below, or to such other addresses as may be designated by written notice to the other party:

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If to NATL:

National Interstate Corporation  
3250 Interstate Drive  
Richfield, OH 44286  
Attention: General Counsel

If to Michelson:

1232 Juniper Court,  
Macedonia, OH 44056

21. Assignment and Binding Effect. The obligations of the parties hereunder may not be assigned or transferred, except upon the written consent of the other party hereto; except that NATL may assign the benefit of this Agreement to any of its Affiliates. This Agreement will be binding upon and inure to the benefit of Michelson and NATL and their permitted assigns.

22. Entire Agreement and Integration. This Agreement, together with the Restricted Share Agreement, supersedes all prior agreements between the parties relating to the subject matter discussed herein, specifically including the Employment and Non-Competition Agreement, dated as of March 12, 2007, between Michelson and NATL, as amended, and the Amended and Restated Employee Retention Agreement, effective as of January 1, 1997, as amended, and constitutes the entire agreement between the parties with respect to the subject matter hereof. There are no other promises or obligations relating to those rights and duties except as contained in this Agreement.

23. Governing Law, Venue. The provisions of this Agreement will be governed by and construed in accordance with the laws of the State of Ohio applicable to contracts made in and to be performed exclusively within Ohio, notwithstanding any conflict of law provision to the contrary. Subject to the mandatory arbitration provisions of Section 19, the parties consent to venue and personal jurisdiction over them in the courts of the State of Ohio and federal courts sitting in the State of Ohio, for purposes of construing and enforcing this Agreement.

24. Section 409A Compliance.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code ("Section 409A") or are exempt therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered so as to be in compliance therewith.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A, and for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Section 409A.

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(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made on or before the last day of Michelson's taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder.

(d) Notwithstanding anything contained in this Agreement to the contrary, if Michelson is a "specified employee," as determined under NATL's policy for identifying specified employees on the date of termination, then to the extent required in order to comply with Section 409A, all payments, benefits or reimbursements paid or provided under this Agreement that constitute a "deferral of compensation" within the meaning of Section 409A, that are provided as a result of a "separation from service" within the meaning of Section 409A and that would otherwise be paid or provided during the first six months following such date of termination shall be accumulated through and paid or provided (without interest), within 20 calendar days after the first business day that is more than six months after the date of his separation from service (or, if Michelson dies during such six-month period, within 20 calendar days after Michelson's death).

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

NATIONAL INTERSTATE CORPORATION

By: /s/ Arthur J. Gonzales  
*Pursuant to authorization of the Board of Directors*

Name: Arthur J. Gonzales

Title: Sr. Vice President, General Counsel & Secretary

/s/ David W. Michelson  
David W. Michelson

**National Interstate Corporation Announces Anthony (Tony) J. Mercurio Will Succeed David W. Michelson as Chief Executive Officer, Effective with 2016 Annual Meeting of Shareholders**

RICHFIELD, Ohio, Dec. 21, 2015 (GLOBE NEWSWIRE) -- National Interstate Corporation (Nasdaq: NATL; National Interstate) today announced that Anthony (Tony) J. Mercurio will succeed David W. Michelson as Chief Executive Officer (CEO), effective as of the 2016 Annual Meeting of Shareholders. It is intended that Mr. Mercurio will be nominated to National Interstate's Board of Directors and, if elected, will serve on the Board effective as of the same date. Mr. Michelson will continue to serve on National Interstate's Board and as a senior advisor to the company following Mr. Mercurio's assumption of the CEO role.

Mr. Mercurio, 42, is President and Chief Operating Officer of National Interstate. The Board of Directors promoted Mr. Mercurio to President on November 12, 2015. Originally joining the National Interstate organization in 1997, Mr. Mercurio has held numerous management and executive positions with our subsidiaries, National Interstate Insurance Company and Vanliner Insurance Company, throughout his tenure, including serving as Chief Executive Officer of Vanliner Insurance Company from 2010 through 2012. Prior to joining National Interstate, Mr. Mercurio held various product and management positions with Westfield Insurance Company and American International Group.

Mr. Michelson stated: "I have been privileged to work with so many good people over my long career at National Interstate, including our Board, officers, employees and customers. As I move into the next chapter of my life, I look forward to spending more time with my family. I know Tony will do a great job as my successor in the CEO role and I look forward to working with him in any way that I can be helpful."

Jeff Consolino, Chairman, said, "We are very fortunate to have an executive like Tony, with demonstrated readiness to lead the company. We are also grateful for Dave's outstanding contributions to National Interstate, including leading this orderly succession process. The Board is pleased that Dave will continue on in an advisory role and as a Director of the company."

**About National Interstate Corporation**

An Insurance Experience Built Around You

National Interstate Corporation (Nasdaq: NATL), founded in 1989, is the holding company for a specialty property-casualty insurance group which differentiates itself by offering products and services designed to meet the unique needs of niche markets. Products include insurance for passenger, truck, and moving and storage transportation companies, alternative risk transfer, or captive programs for commercial risks, specialty personal lines products focused primarily on recreational vehicle owners, and transportation and general commercial insurance in Hawaii and Alaska. The Company's insurance subsidiaries, including the three primary insurers, National Interstate Insurance Company, Vanliner Insurance Company and Triumphe Casualty Company, are rated "A" (Excellent) by A.M. Best Company. Headquartered in Richfield, Ohio, National Interstate is an independently operated subsidiary of Great American Insurance Company, a property-casualty subsidiary of American Financial Group, Inc. (NYSE:AFG).

Contact:

Gary Monda  
National Interstate Corporation

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877-837-0339

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[www.natl.com](http://www.natl.com)