NATIONAL INTERSTATE®

2010 First Quarter Fact Sheet



Key Statistics

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

Stock Information

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

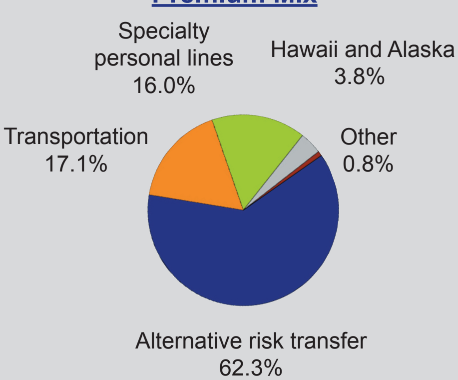
2009 Annual Results

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

2010 First-Quarter Results

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

2010 First-Quarter Premium Mix



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

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

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

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

Proven Business Model

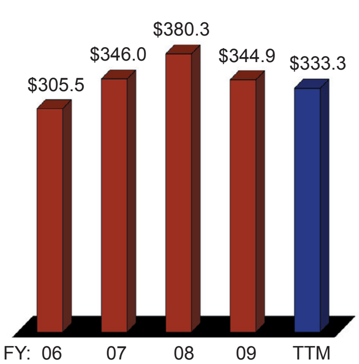
- Niche product focus.
- Each of the Company’s 30+ products is headed by a product manager responsible for achieving that product’s planned growth and profitability.
- Claims managed by the Company’s claims professionals.
- Disciplined underwriting.
- Conservative investments.
- Effective use of reinsurance.

Strong Track Record

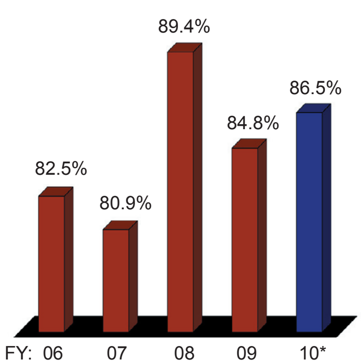
- Outstanding and consistent record of value creation, return on equity and profitable growth.
- Underwriting profit in 19 of the 21 years in business.
- Since its inception, the Company has consistently outperformed the property and casualty industry.
- Strong balance sheet and capital ratios.
- Increased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

Gross Premiums Written

(in millions)

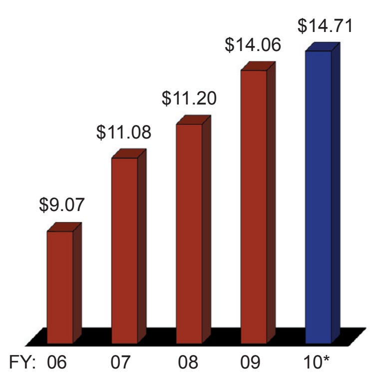


Combined Ratio



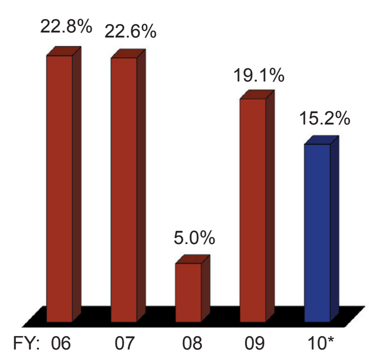
*At March 31, 2010

Book Value per Share



*At March 31, 2010

Return on Equity



*At March 31, 2010

2010 First-Quarter Financial Results

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

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

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

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

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

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

Investment Income: Net investment income of $5.0 million for the 2010 first quarter was in line with the 2009 first quarter. The Company continues to experience lower yields during this extended low interest rate environment when reinvesting proceeds from maturing holdings. During the 2010 first quarter the Company again added to its corporate debt holdings to help maintain yield and further diversify the portfolio.

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

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

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

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

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

	Three Months Ended March 31, 2010	2009
Operating Data:		
Gross premiums written	$ 105,804	$ 117,418
Net premiums written	$ 81,454	$ 88,473
Premiums earned	$ 70,181	$ 69,439
Net investment income	4,959	5,010
Net realized gains on investments	882	23
Other	818	788
Total revenues	76,840	75,260
Losses & loss adjustment expenses	43,104	39,326
Commissions & other underwriting expenses	14,836	13,019
Other operating & general expenses	3,626	3,292
Expense on amounts withheld	809	867
Interest expense	12	120
Total expenses	62,387	56,624
Income before income taxes	14,453	18,636
Provision for income taxes	3,867	5,990
Net income	$ 10,586	$ 12,646
Per Share Data:		
Net income per common share, basic	$ 0.55	$ 0.66
Net income per common share, diluted	$ 0.55	$ 0.65
Weighted average shares outstanding, basic	19,328	19,300
Weighted average shares outstanding, diluted	19,409	19,353
Cash dividend per common share	$ 0.08	$ 0.07

	At March 31, 2010	At Dec. 31, 2008
Balance Sheet Data:		
Cash & investments	$ 640,509	$ 614,974
Reinsurance recoverable	151,617	149,949
Total assets	1,007,315	955,753
Unpaid losses and loss adjustment expenses	426,882	417,260
Long-term debt	15,000	15,000
Total shareholders' equity	$ 284,489	$ 271,317
Book value per common share, basic	$ 14.71	$ 14.06
Common shares outstanding at period end	19,343	19,302

	First Quarter Ended March 31, 2010	2009
GAAP Ratios:		
Loss and loss adjustment expense ratio	61.4%	56.6%
Underwriting expense ratio	25.1%	22.4%
Combined ratio	86.5%	79.0%
Return on equity	15.2%	22.9%
Average shareholders' equity	$ 277,903	$ 220,491

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

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