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National Interstate CORP  
Form 10-Q  
August 08, 2016  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2016

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-51130

National Interstate Corporation

(Exact name of registrant as specified in its charter)

Ohio 34-1607394  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

3250 Interstate Drive, Richfield, OH 44286-9000

(Address of principal executives offices) (Zip Code)

(330) 659-8900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The number of shares outstanding of the registrant's sole class of common shares as of August 1, 2016 was 19,927,191.

National Interstate Corporation and Subsidiaries  
Table of Contents

	Page
<u>Part I – Financial Information</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Statements of Income</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>5</u>
<u>Consolidated Statements of Shareholders' Equity</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>41</u>
<u>Item 4. Controls and Procedures</u>	<u>41</u>
<u>Part II – Other Information</u>	<u>42</u>
<u>Item 1. Legal Proceedings</u>	<u>42</u>
<u>Item 1A. Risk Factors</u>	<u>42</u>
<u>Item 6. Exhibits</u>	<u>43</u>

## PART I—FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## National Interstate Corporation and Subsidiaries

## Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	June 30, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost – \$1,073,867 and \$1,038,230, respectively)	\$1,103,338	\$1,050,988
Equity securities available-for-sale, at fair value (amortized cost – \$78,344 and \$81,919, respectively)	80,690	81,629
Other invested assets	52,042	47,891
Total investments	1,236,070	1,180,508
Cash and cash equivalents	72,762	71,944
Accrued investment income	8,929	9,227
Premiums receivable, net of allowance for doubtful accounts of \$2,128 and \$2,127, respectively	286,593	294,812
Reinsurance recoverable on paid and unpaid losses	243,547	230,346
Prepaid reinsurance premiums	61,994	51,176
Deferred policy acquisition costs	24,370	22,265
Deferred federal income taxes, net	25,742	33,835
Property and equipment, net	22,079	22,562
Funds held by reinsurer	8,015	7,850
Intangible assets, net	7,650	7,650
Prepaid expenses and other assets	3,385	3,707
Total assets	\$2,001,136	\$1,935,882
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$1,051,384	\$1,014,195
Unearned premiums and service fees	321,908	336,934
Long-term debt	12,000	12,000
Amounts withheld or retained for accounts of others	118,080	115,174
Reinsurance balances payable	46,733	37,097
Accounts payable and other liabilities	46,947	41,277
Commissions payable	16,864	15,307
Assessments and fees payable	5,217	5,001
Total liabilities	1,619,133	1,576,985
Shareholders' equity:		
Preferred shares – no par value		
Authorized – 10,000 shares		
Issued – 0 shares	—	—
Common shares – \$0.01 par value		
Authorized – 50,000 shares		
Issued – 23,350 shares, including 3,424 and 3,441 shares, respectively, in treasury	234	234
Additional paid-in capital	62,141	61,926
Retained earnings	303,808	293,516

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Accumulated other comprehensive income	20,681	8,105
Treasury shares	(4,861	) (4,884
Total shareholders' equity	382,003	358,897
Total liabilities and shareholders' equity	\$2,001,136	\$ 1,935,882

See notes to consolidated financial statements.

3

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National Interstate Corporation and Subsidiaries  
 Consolidated Statements of Income  
 (Unaudited)  
 (In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Premiums earned	\$ 151,441	\$ 143,892	\$ 300,855	\$ 281,715
Net investment income	10,757	9,828	21,172	19,484
Net realized gains (losses) on investments (*)	216	431	(929 )	1,500
Other	812	886	1,485	1,716
Total revenues	163,226	155,037	322,583	304,415
Expenses:				
Losses and loss adjustment expenses	113,859	113,543	229,332	222,324
Commissions and other underwriting expenses	24,965	23,364	49,488	46,347