

National Interstate CORP
Form 424B3
March 31, 2009
Table of Contents

PROSPECTUS

Filed pursuant to Rule 424(b)(3)

Registration No. 333-158058

12,530,000 Common Shares

This prospectus relates to the offer and sale from time to time of 12,530,000 of National Interstate Corporation's common shares by certain selling shareholders. We will not receive any of the proceeds from the sale of the common shares by the selling shareholders.

The selling shareholders may sell their common shares from time to time through public or private transactions on or off the Nasdaq Global Select Market at prevailing market prices or at privately negotiated prices. The selling shareholders have sole discretion as to whether and on what terms to sell their common shares. The registration of the common shares covered by this prospectus does not necessarily mean that any or all of the common shares will be offered or sold by the selling shareholders.

Our common shares are quoted on the Nasdaq Global Select Market under the symbol NATL. The last reported sale price of our common shares on March 30, 2009 was \$16.78 per share.

Investing in our common shares involves risks that are described in the Risk Factors section beginning on page 3 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 31, 2009

Table of Contents

TABLE OF CONTENTS

	Page
<u>THE COMPANY</u>	1
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>INCORPORATION OF CERTAIN INFORMATION BY REFERENCE</u>	1
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	2
<u>RISK FACTORS</u>	3
<u>USE OF PROCEEDS</u>	3
<u>SELLING SHAREHOLDERS</u>	3
<u>PLAN OF DISTRIBUTION</u>	4
<u>LEGAL MATTERS</u>	5
<u>EXPERTS</u>	6

Table of Contents

References in this prospectus to National Interstate, we, us and our, unless the context requires otherwise, refer to National Interstate Corporation and its subsidiaries and their combined operations.

THE COMPANY

We operate as an insurance holding company group that underwrites and sells traditional and alternative property and casualty insurance products primarily to the passenger transportation industry and the trucking industry, general commercial insurance to small businesses in Hawaii and Alaska, and personal insurance to owners of recreational vehicles and commercial vehicles throughout the United States. We were organized in Ohio in January 1989. In December 1989, Great American Insurance Company (Great American) a wholly-owned subsidiary of American Financial Group, Inc., became our majority shareholder. Our principal executive offices are located at 3250 Interstate Drive, Richfield, Ohio, 44286 and our telephone number is (330) 659-8900.

We have four property and casualty insurance subsidiaries, National Interstate Insurance Company (NIIC), National Interstate Insurance Company of Hawaii, Inc. (NIIC-HI), Hudson Indemnity, Ltd. (HIL) and Triumpher Casualty Company (TCC) and six other agency and service subsidiaries. NIIC is licensed in all 50 states and the District of Columbia. NIIC-HI is licensed in Hawaii, Michigan, New Jersey and Ohio. TCC is licensed in 24 states and the District of Columbia. HIL is domiciled in the Cayman Islands and provides reinsurance for NIIC, NIIC-HI and TCC primarily for the alternative risk transfer product. We also assume a portion of premiums written by other affiliate companies whose passenger transportation insurance business we manage. Insurance products are marketed through multiple distribution channels, including independent agents and brokers, affiliated agencies and agent internet initiatives.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934 (Exchange Act), under which we file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (SEC). You may read and copy this information at prescribed rates at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) 732-0330 for further information about the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers that file electronically with the SEC. The address of that site is www.sec.gov. We also maintain an Internet website (<http://www.nationalinterstate.com>) where you can obtain information about us and our subsidiaries. The information contained on our Internet website is not part of this prospectus.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus.

Information that we file in the future with the SEC and incorporate by reference in this prospectus will automatically update and replace this information. We incorporate by reference the documents listed below and any future filings made by us with the SEC after the date of this prospectus under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act if the filings are made before the time that all of the common shares are sold in this offering. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and proxy statements.

This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC:

Annual Report on Form 10-K for the year ended December 31, 2008;

Table of Contents

Current Report on Form 8-K filed February 25, 2009; and

The description of our common shares contained in our Form 8-A Registration Statement filed on January 24, 2005, including any amendment or report filed for the purpose of updating that description.

You may obtain a copy of these filings free of charge by visiting our website at www.nationalinterstate.com. You may also request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number: National Interstate Corporation, 3250 Interstate Drive, Richfield, Ohio 44286, Attention: Investor Relations, (330) 659-8900. Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus.

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with different information. We are not making an offer of securities in any state where an offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date of this prospectus or the date of the documents incorporated by referenced in this prospectus.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the 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 contained in this prospectus 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. 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 collect amounts due to us, our ability to access capital resources, 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 the 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.

You should not place undue reliance on any forward-looking statement. The forward-looking statements in this prospectus speak only as of the date of this prospectus. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations or prospects may have changed since that date. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements, the risk factors or other information described in this prospectus.

Table of Contents**RISK FACTORS**

Before you purchase common shares offered pursuant to this prospectus, you should be aware of various risks, including but not limited to those discussed in the section titled "Item 1A. Risk Factors" beginning on page 18 of our Annual Report on Form 10-K for the year ended December 31, 2008, as may be further updated and modified periodically in our reports filed with the Securities and Exchange Commission. See "Incorporation of Certain Information by Reference" for more information on these reports. You should carefully consider these risk factors together with all other information in this prospectus and any applicable prospectus supplement before you decide to invest in the common shares.

USE OF PROCEEDS

We will not receive any of the proceeds upon the sale of the common shares offered hereby by any selling shareholder.

SELLING SHAREHOLDERS

The selling shareholders may from time to time offer and sell pursuant to this prospectus any or all of the common shares listed below. When we refer to the "selling shareholders" in this prospectus, we mean those persons listed in the table below and donees and pledgees selling shares received from a named selling shareholder after the date of this prospectus.

The table below sets forth the name of each selling shareholder and number of common shares that each selling shareholder may offer pursuant to this prospectus. Information concerning the selling shareholders may change from time to time and any changed information will be set forth in supplements to this prospectus to the extent required.

All of the information contained in the table below is based upon information provided to us by the selling shareholders. We have not independently verified this information. The selling shareholders may from time to time offer and sell any or all of the securities under this prospectus. Because the selling shareholders are not obligated to sell the common shares, we cannot estimate how many common shares the selling shareholders will hold upon consummation of any such sales.

Name	Shares Owned Before Offering		Shares Offered	Shares Owned After Offering Assuming All Shares Offered Are Sold	
	Number (1)	Percentage of Our Common Shares Outstanding (2)		Number	Percentage of our Common Shares Outstanding
Great American Insurance Company (3)	10,200,000	52.6%	10,200,000		*
Alan R. Spachman (4)	66,000	*	50,000	16,000	*
Alan R. Spachman Revocable Trust (4)	1,161,334	6.0%	1,113,334	48,000	*
The Hudson Investment Irrevocable Trust (4)	1,000,000	5.2%	1,000,000		*
Florence McDermott Spachman Revocable Trust (4)	166,666	*	166,666		*

* Less than 1%.

Table of Contents

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act and includes the number of common shares that may be acquired pursuant to options that are currently exercisable or will be exercisable within 60 days of March 16, 2009.
- (2) As of March 10, 2009, there were 19,391,896 common shares outstanding. The number of common shares outstanding does not include shares held by our subsidiary, National Interstate Insurance Company, which are treated as treasury shares.
- (3) Great American Insurance Company is our majority shareholder.
- (4) Mr. Alan Spachman is the Chairman of our Board. He is a beneficiary of the Alan R. Spachman Revocable Trust, The Hudson Investment Irrevocable Trust and Florence McDermott Spachman Revocable Trust and has sole voting power and investment power with respect to all of the shares held by these trusts.

PLAN OF DISTRIBUTION

This prospectus relates to the offer and sale from time to time by the selling shareholders of our common shares. We will not receive any of the proceeds from the sale by the selling shareholders of the common shares. We will bear certain fees and expenses to register the common shares on the shelf registration statement containing this prospectus other than the fees and expenses of any separate legal counsel retained by the selling shareholders and the cost of all brokers and underwriting discounts, commissions and transfer taxes, if any, attributable to the common shares sold by the selling shareholders.

The selling shareholders may offer and sell the common shares from time to time in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. These prices will be determined by the selling shareholders or by agreement between such holder and any underwriters or dealers who may receive fees or commissions in connection with such sale. Such sales may be effected by a variety of methods, including the following:

on any national securities exchange or quotation service on which the common shares may be listed or quoted at the time of sale;

in the over-the-counter market;

in transactions other than on these exchanges or systems or the over-the-counter market;

in privately negotiated transactions;

in a block trade in which a broker-dealer will attempt to sell a block of securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;

through one or more underwriters on a firm commitment or best-efforts basis;

through broker-dealers, which may act as agents or principals;

directly to one or more purchasers;

through agents; or

in any combination of the above or by any other legally available means.

Edgar Filing: National Interstate CORP - Form 424B3

In connection with the sales of the common shares or otherwise, the selling shareholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the offered securities, short and deliver the common shares to close out such short positions, or loan or pledge the common shares to broker-dealers that in turn may sell such securities.

Table of Contents

If a material arrangement with any underwriter, broker, dealer or other agent is entered into for the sale of the common shares through a secondary distribution or a purchase by a broker or dealer, or if other material changes are made in the plan of distribution of the common shares, a prospectus supplement will be filed, if necessary, under the Securities Act of 1933 disclosing the material terms and conditions of such arrangement. The underwriter or underwriters with respect to an underwritten offering of the common shares and the other material terms and conditions of the underwriting will be set forth in a prospectus supplement relating to such offering and, if an underwriting syndicate is used, the managing underwriter or underwriters will be set forth on the cover of the prospectus supplement. In connection with the sale of the common shares, underwriters will receive compensation in the form of underwriting discounts or commissions and may also receive commissions from purchasers of common shares for whom they may act as agent. Underwriters may sell to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

The selling shareholders have advised us that there are currently no plans, arrangements or understandings between any selling shareholders and any underwriter, broker-dealer or agent regarding the sale of the common shares by the selling shareholders. Selling shareholders may decide not to sell all or a portion of the common shares offered by them pursuant to this prospectus. In addition, any selling shareholder may transfer, devise or give the common shares by other means not described in this prospectus. If we are notified by a selling shareholder that a donee or pledgee intends to sell common shares, a prospectus supplement will be filed if then required in accordance with applicable securities law. Any common shares covered by this prospectus that qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus.

The selling shareholders and any underwriters, broker-dealers or agents participating in the distribution of the common shares may be deemed to be underwriters within the meaning of the Securities Act, and any profit on the sale of the common shares by the selling shareholders and any commissions received by any such underwriters, broker-dealers or agents may be deemed to be underwriting commissions under the Securities Act. If the selling shareholders were deemed to be underwriters, the selling shareholders may be subject to statutory liabilities including, but not limited to, those of Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

The selling shareholders and any other person participating in the distribution will be subject to the applicable provisions of the Exchange Act and the rules and regulations under the Exchange Act, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the common shares by the selling shareholders and any other relevant person. Regulation M may also restrict the ability of any person engaged in the distribution of the common shares to engage in market-making activities with respect to the particular common shares being distributed. All of the above may affect the marketability of the common shares and the ability of any person or entity to engage in market-making activities with respect to the common shares.

We have agreed to indemnify the selling shareholders against certain civil liabilities, including certain liabilities arising under the Securities Act, and the selling shareholders will be entitled to contribution from us in connection with those liabilities. The selling shareholders have agreed to indemnify us against certain civil liabilities, including liabilities arising under the Securities Act, and we will be entitled to contribution from the selling shareholders in connection with those liabilities. The selling shareholders also may agree to indemnify any agent, underwriter, broker or dealer that participates in transactions involving sales of common shares against certain civil liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the common shares offered by this prospectus will be passed upon on our behalf by Thompson Hine LLP.

Table of Contents

EXPERTS

The consolidated financial statements of National Interstate Corporation incorporated by reference in National Interstate Corporation's Annual Report (Form 10-K) for the year ended December 31, 2008 (including schedules appearing therein), and the effectiveness of National Interstate Corporation's internal control over financial reporting as of December 31, 2008 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, incorporated by reference therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.