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National Interstate CORP  
Form 10-Q  
October 31, 2014

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 September 30, 2014  
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 (I.R.S. Employer Identification No.)  
organization)  
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 October 28, 2014 was 19,781,073.

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## PART I—FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## National Interstate Corporation and Subsidiaries

## Consolidated Balance Sheets

(In thousands, except per share data)

	September 30, 2014 (Unaudited)	December 31, 2013
<b>ASSETS</b>		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost – \$918,711 and \$914,149, respectively)	\$947,843	\$933,579
Equity securities available-for-sale, at fair value (amortized cost – \$70,433 and \$55,537, respectively)	78,885	65,770
Other invested assets	45,625	40,395
Total investments	1,072,353	1,039,744
Cash and cash equivalents	72,982	35,684
Accrued investment income	8,293	8,644
Premiums receivable, net of allowance for doubtful accounts of \$2,861 and \$3,225, respectively	238,862	244,934
Reinsurance recoverable on paid and unpaid losses	159,858	169,210
Prepaid reinsurance premiums	47,703	37,867
Deferred policy acquisition costs	23,239	23,025
Deferred federal income taxes	20,403	25,826
Property and equipment, net	24,616	24,753
Funds held by reinsurer	4,178	3,780
Intangible assets, net	7,862	8,073
Prepaid expenses and other assets	7,193	2,287
Total assets	\$1,687,542	\$1,623,827
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$851,433	\$803,782
Unearned premiums and service fees	284,575	283,582
Long-term debt	12,000	12,000
Amounts withheld or retained for accounts of others	92,985	80,999
Reinsurance balances payable	32,173	26,317
Accounts payable and other liabilities	35,471	44,516
Commissions payable	15,284	13,934
Assessments and fees payable	4,586	6,413
Total liabilities	1,328,507	1,271,543
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 3,570 and 3,689 shares, respectively, in treasury	234	234
Additional paid-in capital	58,943	56,481
Retained earnings	280,491	281,518

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Accumulated other comprehensive income	24,430	19,281
Treasury shares	(5,063	) (5,230
Total shareholders' equity	359,035	352,284
Total liabilities and shareholders' equity	\$1,687,542	\$1,623,827

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Premiums earned	\$ 140,009	\$ 132,748	\$ 412,651	\$ 388,521
Net investment income	9,130	8,302	26,615	24,190
Net realized gains on investments (*)	2,622	1,353	6,294	5,433
Other	941	877	2,487	2,559
Total revenues	152,702	143,280	448,047	420,703
Expenses:				
Losses and loss adjustment expenses	110,755	104,530	346,920	320,098
Commissions and other underwriting expenses	24,058	23,555	70,482	