

National Interstate CORP  
Form 10-Q  
August 06, 2009

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**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, 2009**

**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**

*(State or other jurisdiction of  
incorporation or organization)*

**34-1607394**

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

**3250 Interstate Drive  
Richfield, Ohio 44286-9000  
(330) 659-8900**

*(Address and telephone number of principal executive offices)*

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 (Section 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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a 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 4, 2009 was 19,392,833.



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**National Interstate Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
(In thousands, except per share data)

	<b>June 30, 2009 (Unaudited)</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost \$495,228 and \$462,562, respectively)	\$ 485,780	\$ 459,237
Equity securities available-for-sale, at fair value (cost \$29,309 and \$30,143, respectively)	29,834	27,233
Short-term investments, at cost which approximates fair value	86	85
Total investments	515,700	486,555
Cash and cash equivalents	57,288	77,159
Securities lending collateral (cost \$0 and \$94,655, respectively)		84,670
Accrued investment income	4,395	5,161
Premiums receivable, net of allowance for doubtful accounts of \$577 and \$587, respectively	139,448	95,610
Reinsurance recoverables on paid and unpaid losses	147,843	150,791
Prepaid reinsurance premiums	40,452	28,404
Deferred policy acquisition costs	22,126	19,245
Deferred federal income taxes	15,689	18,324
Property and equipment, net	21,303	20,406
Funds held by reinsurer	3,007	3,073
Prepaid expenses and other assets	1,992	1,414
Total assets	\$ 969,243	\$ 990,812
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 404,986	\$ 400,001
Unearned premiums and service fees	190,644	156,598
Long-term debt	15,000	15,000
Amounts withheld or retained for account of others	51,318	48,357
Reinsurance balances payable	21,245	10,267
Securities lending obligation		95,828
Accounts payable and other liabilities	28,614	35,813
Commissions payable	9,980	9,274
Assessments and fees payable	3,909	3,600
Total liabilities	725,696	774,738
Shareholders' equity:		
Preferred shares - no par value		

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Authorized	10,000 shares		
Issued	0 shares		
Common shares	\$0.01 par value		
Authorized	50,000 shares		
Issued	23,350 shares, including 4,049 and 4,055 shares, respectively, in treasury	234	234
Additional paid-in capital		48,621	48,004
Retained earnings		206,222	184,187
Accumulated other comprehensive loss		(5,800)	(10,613)
Treasury shares		(5,730)	(5,738)
Total shareholders' equity		243,547	216,074
Total liabilities and shareholders' equity		\$ 969,243	\$ 990,812

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)**

	<b>Three Months Ended June</b>		<b>Six Months Ended June</b>	
	<b>30,</b>		<b>30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>				
Premiums earned	\$ 69,663	\$ 71,813	\$ 139,102	\$ 139,463
Net investment income	4,919	5,451	9,929	11,295
Net realized gains (losses) on investments (*)	1,048	(1,724)	1,071	(2,311)
Other	960	757	1,748	1,594
Total revenues	76,590	76,297	151,850	150,041
<b>Expenses:</b>				
Losses and loss adjustment expenses	39,440	50,417	78,766	92,102
Commissions and other underwriting expenses	15,357	15,195	28,376	28,156
Other operating and general expenses	3,203	3,313	6,495	6,545
Expense on amounts withheld	900	1,002	1,767	2,260
Interest expense	212	225	332	571
Total expenses	59,112	70,152	115,736	129,634
Income before federal income taxes	17,478	6,145	36,114	20,407
Provision for federal income taxes	5,369	1,775	11,359	6,466
Net income	\$ 12,109	\$ 4,370	\$ 24,755	\$ 13,941
Net income per common share basic	\$ 0.63	\$ 0.23	\$ 1.28	\$ 0.72
Net income per common share diluted	\$ 0.63	\$ 0.23	\$ 1.28	\$ 0.72
Weighted average of common shares outstanding basic	19,301	19,288	19,301	19,275
Weighted average of common shares outstanding diluted	19,359	19,375	19,351	19,400
Cash dividends per common share	\$ 0.07	\$ 0.06	\$ 0.14	\$ 0.12

(\*) Consists of the following:

