

National Interstate CORP
Form 424B3
September 04, 2007

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The information in this prospectus supplement is not complete and may be changed. This prospectus is not an offer to sell securities and the selling shareholder is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated September 4, 2007

**Filed pursuant to Rule 424(b)(3)
Registration No. 333-132657**

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED APRIL 7, 2006)

900,000 Common Shares

This prospectus relates to the offer and sale of 900,000 of National Interstate Corporation's common shares by the selling shareholder. We will not receive any of the proceeds from the sale of the common shares by the selling shareholder. National Interstate will pay for all expenses relating to the offer and sale of these common shares, except that the selling shareholder will pay the underwriting discount and certain other incremental costs of this offering.

Our common shares are quoted on the Nasdaq Global Market under the symbol NATL. The last reported sale price of our common shares on August 31, 2007 was \$32.78 per share.

INVESTING IN OUR COMMON SHARES INVOLVES RISKS THAT ARE DESCRIBED UNDER THE HEADING RISK FACTORS BEGINNING ON PAGE 3 OF THE ACCOMPANYING PROSPECTUS AND IN OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2006.

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 supplement. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds to selling shareholder	\$	\$

The underwriter has an option to purchase up to 100,000 additional common shares from the selling shareholder at the public offering price, less the underwriting discount, within 30 days of the date of this prospectus supplement to cover any over-allotments of shares.

The underwriter expects to deliver the shares on or about September , 2007

KeyBanc Capital Markets

The date of this prospectus supplement is September , 2007

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriter have authorized anyone, including the selling shareholder, to provide you with any information different from that contained in this prospectus supplement and the accompanying prospectus. The selling shareholder is offering to sell, and seeking offers to buy, our shares only in jurisdictions where such offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates of this prospectus supplement and the accompanying prospectus, regardless of the time of delivery of this prospectus supplement or the accompanying prospectus or of any sale of our shares.

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

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined.

If any information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Unless otherwise indicated, all information presented in this prospectus has been prepared based on generally accepted accounting principles applicable in the United States of America and assumes that the underwriter's over-allotment option is not exercised.

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, commercial vehicles and watercraft 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), Hudson Indemnity, Ltd. (HIL), National Interstate Insurance Company of Hawaii, Inc. (NIIC-HI) and Triumphe Casualty Company (TCC) and six other agency and service subsidiaries. NIIC is licensed in all 50 states and the District of Columbia. HIL is domiciled in the Cayman Islands and conducts insurance business outside the United States. We write our insurance policies on a direct basis through NIIC, NIIC-HI and TCC. TCC, a Pennsylvania domiciled company, holds licenses for multiple lines of authority, including auto-related lines, in 24 states and the District of Columbia. 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. We use our six other agency and service subsidiaries to sell and service our insurance business. This includes Hudson Management Group, Ltd., a U.S. Virgin Islands corporation based in St. Thomas, which commenced operations in the first quarter of 2006.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DIVIDENDS**

Our common shares have been traded on the Nasdaq Global Market under the symbol NATL since January 28, 2005. Prior to such date, there was no established public trading market for our common shares. As of September 1, 2007, there were 51 holders of record of our common shares. The following table sets forth, for the periods indicated, the high and low sale prices for our common shares as reported by the Nasdaq Global Market and cash dividends per share for the periods indicated:

	Price Range of Common Stock		Cash Dividend
	High	Low	
Fiscal Year Ended December 31, 2005			
First Quarter (commencing January 28, 2005)	\$ 19.15	\$ 13.50	
Second Quarter	21.64	14.75	
Third Quarter	20.24	15.61	\$ 0.04
Fourth Quarter	21.45	13.91	0.04

	Price Range of Common Stock		Cash Dividend
	High	Low	
Fiscal Year Ended December 31, 2006			
First Quarter	\$ 23.57	\$ 19.00	\$ 0.04
Second Quarter	31.50	18.62	0.04
Third Quarter	29.05	22.13	0.04
Fourth Quarter	29.98	22.10	0.04

	Price Range of Common Stock		Cash Dividend
	High	Low	
Fiscal Year Ended December 31, 2007			
First Quarter	\$ 28.50	\$ 20.29	\$ 0.05
Second Quarter	27.10	23.12	0.05
Third Quarter (through August 31, 2007)	35.79	24.26	0.05

On August 31, 2007, the closing sale price for our common shares on the Nasdaq Global Market was \$32.78.

Our Board of Directors has instituted a policy authorizing us to pay quarterly dividends on our common shares in an amount to be determined at each quarterly Board of Directors meeting. The Board of Directors intends to continue to review our dividend policy annually during each regularly scheduled first quarter meeting, with the anticipation of considering annual dividend increases.

The declaration and payment of dividends remains subject to the discretion of the Board of Directors, and will depend on, among other things, our financial condition, results of operations, capital and cash requirements, future prospects, regulatory and contractual restrictions on the payment of dividends by insurance company subsidiaries, and other factors deemed relevant by the Board. In addition, our ability to pay dividends would be restricted in the event of a default on our junior subordinated debentures, our failure to make payment obligations with respect to such debentures, or our election to defer interest payments on the debentures.

We are a holding company without significant operations of our own. Our principal sources of funds are dividends and other distributions from our subsidiaries including our insurance company subsidiaries. Our ability to receive dividends from our insurance company subsidiaries is also subject to limits under applicable state insurance laws.

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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.

Our common shares are listed on the Nasdaq Global Market under the symbol NATL. Reports, proxy statements and other information regarding us may be read and copied at the offices of the Nasdaq Global Market located at National Association of Securities Dealers, Inc. Reports Section, 1735 K Street, N.W., Washington, D.C. 20006.

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, 2006, as amended;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007, as amended, and June 30, 2007;

Definitive Proxy Statement filed April 3, 2007;

Current Reports on Form 8-K filed February 14, 2007, May 23, 2007, August 3, 2007 (Item 8.01 only) and September 4, 2007; 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. Except for filings specifically incorporated by reference in this prospectus, information contained on our website is not part of this prospectus. 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.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus (including the information incorporated by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. 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 base 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. Accordingly, we cannot assure you that actual results will not differ from those expressed or implied by the forward-looking statements. Factors that could contribute to these differences include, among other things:

general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) our ability to sell our products, 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 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;

availability of reinsurance and ability of reinsurers to pay their obligations; and

the other factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2006 and the accompanying prospectus under the heading Risk Factors.

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.

USE OF PROCEEDS

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

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The table below sets forth certain information regarding the beneficial ownership of our shares by the selling shareholder as of August 31, 2007, and as adjusted to reflect the sale of the common shares in this offering, assuming that the over-allotment option is not exercised by the underwriter. All of the information contained in the table below is based upon information provided to us by the selling shareholder. We have not independently verified this information.

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
Alan R. Spachman(3)	3,112,000	16.2%	900,000	2,212,000	11.5%

- (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 August 31, 2007.
- (2) As of September 1, 2007, there were 19,220,547 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) Mr. Alan Spachman is our Chairman of the Board and Chief Executive Officer.

THE OFFERING

Subject to the terms and conditions set forth in an underwriting agreement among KeyBanc Capital Markets Inc., the selling shareholder and us, the selling shareholder has agreed to sell to the underwriter, and the underwriter has agreed to purchase from the selling shareholder, 900,000 common shares.

The selling shareholder has agreed to hold, for a period of 90 days after the effectiveness of this offering, a minimum of 1,900,000 of our common shares and will not, directly or indirectly, alone or in concert with others, undertake any action that would reduce the selling shareholder's holdings below this amount during such period. We have also agreed that for a period of 30 days from the date of this prospectus, subject to certain exceptions, we will not, without the prior written consent of the underwriter, directly or indirectly, issue, sell, offer to sell, contract to sell, solicit an offer to buy, grant any option, right or warrant for the purchase or sale of, assign, pledge, hypothecate, distribute or otherwise transfer, dispose of, encumber or reduce any risk of ownership (or publicly announce any intention to do the foregoing) any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock or evidencing any right to purchase or subscribe for shares of common stock that we have or will have the right to issue and sell through options, warrants, subscriptions or other rights.

The underwriting agreement provides that the obligation of the underwriter to purchase the shares included in this offering is subject to approval of certain legal matters by counsel and to various other conditions. The underwriter is obligated to purchase all the shares, other than those covered by the over-allotment option described below, if it purchases any of the shares.

The underwriter proposes to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement. The underwriter may sell some of the shares to dealers at the public offering price less a concession not to exceed \$ per share. The underwriter may allow, and such dealers may reallow, a concession not in excess of \$ per share to certain other dealers. After the common shares are released for sale to the public, the offering price and other selling terms may be changed.

The selling shareholder has granted the underwriter an option, exercisable for 30 days after the date of this prospectus supplement, to purchase up to an additional 100,000 shares at the public offering price less the

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underwriting discount set forth on the cover page. The underwriter may exercise this option solely for the purpose of covering over-allotments, if any, in connection with this offering.

The following table summarizes the compensation and estimated expenses paid in connection with this offering:

	Per Share		Total	
	Without Over- Allotment	With Over- Allotment	Without Over- Allotment	With Over- Allotment
Underwriting discounts paid by the selling shareholder	\$	\$	\$	\$

Our estimated total offering expenses, exclusive of the underwriting discount, but including legal and accounting costs, will be approximately \$85,000.

In connection with the offering, the underwriter or its affiliates who are qualified registered market makers on the Nasdaq Global Market may engage in passive market-making transactions in our common shares on the Nasdaq Global Market in accordance with Rule 103 of Regulation M, during the one business day prior to the pricing of the offering before the commencement of offers or sales of the shares. The passive market-making transactions must comply with applicable volume and price limitations and be identified as such. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for the security; however, if all independent bids are reduced to a price below the passive market maker's bid, such bid does not have to be lowered until certain purchase limits are exceeded.

The underwriter may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment transactions involve sales by the underwriter of shares in excess of the number of shares the underwriter is obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriter is not greater than the number of shares that it may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriter may close out any short position by either exercising its over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common shares in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which it may purchase shares through the over-allotment option. If the underwriter sells more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that there could be downward pressure on the price of the shares in the open market after pricing which could adversely affect investors who purchase in the offering.

Penalty bids permit the underwriter to reclaim a selling concession from a syndicate member when the shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common shares or preventing or retarding a decline in the market price of our common shares. As a result, the price of our shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time without notice. The underwriter is not required to engage in any of these activities. The underwriter makes no representations or prediction as to whether it

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will engage in these types of activities or as to the direction or magnitude of any effect that these activities may have on the price of our shares.

A prospectus in electronic format may be made available on the websites maintained by the underwriter. The underwriter may agree to allocate a number of shares to selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriter and the underwriter will make Internet distributions on the same basis as other allocations.

KeyBanc Capital Markets Inc. is a market maker in our shares.

KeyBanc Capital Markets Inc. has investment discretion over accounts which may include our common shares. In addition, the underwriter and some of its affiliates have engaged in, and may in the future engage in, investment banking and other transactions with us and perform services, including investment banking, advisory, general financing and commercial banking services, for us in the ordinary course of their business. They have received customary fees and commissions for those transactions. In the course of their businesses, the underwriter and its affiliates may actively trade our securities or loans for their own account or for the accounts of customers, and, accordingly, the underwriter and its affiliates may at any time hold long or short positions in such securities or loans.

This prospectus relates to the offer and sale by the selling shareholder of our common shares. We will not receive any of the proceeds from the sale by the selling shareholder of the common shares. We will bear all fees and expenses incident with our obligation to file this prospectus supplement other than the fees and expenses of any separate legal counsel retained by the selling shareholder, the cost of all brokers and underwriting discounts, commissions and transfer taxes, if any, attributable to the common shares sold by the selling shareholder and certain other incremental costs of this offering. The maximum commission or discount to be received by any member of the National Association of Securities Dealers, Inc. or independent broker-dealer will not be greater than 8% for the sale of the common shares registered on the registration statement containing this prospectus pursuant to Securities Act Rule 415.

In accordance with the registration rights agreement among us, the selling shareholder and the Great American Insurance Company, we have agreed to indemnify the selling shareholder against certain civil liabilities, including certain liabilities arising under the Securities Act, and the selling shareholder will be entitled to contribution from us in connection with those liabilities. The selling shareholder has 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 shareholder in connection with those liabilities. The selling shareholder 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. Certain legal matters related to the offering will be passed upon for the underwriter by Squire, Sanders & Dempsey L.L.P.

EXPERTS

Our consolidated financial statements and schedules as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, and our assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, incorporated by reference in this prospectus supplement, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon, incorporated by reference in this prospectus supplement, and have been so incorporated in reliance upon such reports

given on the authority of such firm as experts in accounting and auditing.

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PROSPECTUS

13,280,000 Common Shares

This prospectus relates to the offer and sale from time to time of 13,280,000 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 National 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 National Market under the symbol NATL. The last reported sale price of our common shares on April 6, 2006 was \$21.35 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 April 7, 2006

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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 risk property and casualty insurance products to the passenger transportation industry and the trucking industry, general commercial insurance to small businesses in Hawaii, and personal auto and certain other insurance to owners of recreational 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.

We have four property and casualty insurance subsidiaries, National Interstate Insurance Company (NIIC), Hudson Indemnity, Ltd. (HIL), National Interstate Insurance Company of Hawaii, Inc. (NIIC-HI) and Triumphe Casualty Company (TCC) and five other subsidiaries. NIIC is licensed in all 50 states and the District of Columbia. NIIC-HI is licensed in Hawaii, Michigan and New Jersey. TCC is licensed in 24 states and the District of Columbia. HIL is domiciled in the Cayman Islands and conducts insurance business outside the United States. We also assume a portion of premiums written by other affiliate companies whose passenger transportation insurance business it manages. Insurance products are marketed through affiliates and independent agents and brokers. In addition, we have agency and service subsidiaries.

Our principal executive offices are located at 3250 Interstate Drive, Richfield, Ohio, 44286 and our telephone number is (330) 659-8900.

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.

Our common shares are listed on the Nasdaq National Market (Nasdaq) under the symbol NATL. Reports, proxy statements and other information regarding us may be read and copied at the offices of Nasdaq located at National Association of Securities Dealers, Inc. Reports Section, 1735 K Street, N.W., Washington, D.C. 20006.

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

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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, 2005;

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Current Reports on Form 8-K filed January 4, 2006, February 9, 2006 and February 13, 2006; 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. Except for filings specifically incorporated by reference in this prospectus, information contained on our website is not part of this prospectus. 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 Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. 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 caution that these statements may and often do vary from actual results and the differences between these statements and actual results can be material. Accordingly, we cannot assure you that actual results will not differ from those expressed or implied by the forward-looking statements. Factors that could contribute to these differences include, among other things:

general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) our ability to sell our products, 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;

increasing competition in the sale of our insurance products and services and the retention of existing customers;

regulatory changes or actions, including those relating to regulation of the sale, underwriting and pricing of insurance products and services and capital requirements; and

the other factors discussed under the heading Risk Factors.

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.