

National Interstate CORP
Form DEF 14A
April 11, 2006
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SCHEDULE 14A
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

NATIONAL INTERSTATE CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(4) Date Filed:

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3250 Interstate Drive

Richfield, Ohio 44286-9000

Notice of Annual Meeting of Shareholders

and Proxy Statement

To Be Held On May 19, 2006

Dear Shareholder:

We invite you to attend our Annual Meeting of Shareholders on Friday, May 19, 2006 at 10:00 AM, at 3250 Interstate Drive, Richfield, Ohio. At the meeting, we will report on our operations, and you will have an opportunity to meet our directors and executives.

This booklet includes the formal notice of the meeting and the Proxy Statement. The Proxy Statement tells you more about the agenda and procedures for the meeting. It also describes how our Board of Directors operates and provides information about the director candidates.

All shareholders are important to us. We want your shares to be represented at the meeting and urge you to vote by promptly returning a properly completed proxy form.

Sincerely,

Alan R. Spachman
Chairman of the Board and President

Richfield, Ohio

April 20, 2006

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF NATIONAL INTERSTATE CORPORATION**

Date: Friday, May 19, 2006

Time: 10:00 AM Eastern Daylight Savings Time

Place: 3250 Interstate Drive
Richfield, Ohio 44286-9000

Purpose:

1. Elect four Class II directors
2. Ratify appointment of Ernst & Young LLP as our independent registered public accounting firm
3. Conduct other business if properly raised

Record Date: March 21, 2006 Shareholders registered in the records of the Company or its agents on that date are entitled to receive notice of and to vote at the meeting.

Mailing Date: The approximate mailing date of this Proxy Statement and accompanying proxy form is April 20, 2006.

Your vote is important

Whether or not you attend the meeting, you may vote by mailing a signed proxy form, which is the bottom portion of the enclosed perforated form. If you do attend the meeting, you may either vote by proxy or revoke your proxy and vote in person. You may also revoke your proxy in writing at any time before the vote is taken at the meeting by submitting a later-dated proxy form.

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The Company makes available, free of charge on its website, all of its filings that are made electronically with the Securities and Exchange Commission, including Forms 10-K, 10-Q and 8-K. To access these filings, go to the Investor Relations page of the Company's website (www.nationalinterstate.com) and click on the Financial Information tab at the right. Copies of the Company's Annual Report on Form 10-K for the year ended December 31, 2005, including financial statements and schedules thereto, filed with the SEC, are also available without charge to shareholders upon written request addressed to:

Gary N. Monda

Vice President

National Interstate Corporation

3250 Interstate Drive

Richfield, Ohio 44286

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GENERAL INFORMATION

This statement is furnished in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders of National Interstate Corporation (National Interstate or the Company), to be held at 10:00 AM, Eastern time, on Friday, May 19, 2006, at 3250 Interstate Drive, Richfield, Ohio 44286, and at any adjournment thereof. This statement, the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2005 and the accompanying proxy will be sent to shareholders on or about April 20, 2006.

Record Date; Shares Outstanding

As of March 21, 2006, the record date for determining shareholders entitled to notice of and to vote at the meeting, the Company had approximately 19,114,200 shares of common stock deemed outstanding and eligible to vote, which excludes 2,510,000 shares owned by a Company subsidiary. Under Ohio law, shares held by subsidiaries are not entitled to vote and are therefore not considered to be outstanding for purposes of the meeting. Each share of outstanding common stock is entitled to one vote on each matter to be presented at the meeting. Abstentions (including instructions to withhold authority to vote for one or more nominees) and broker non-votes are counted for purposes of determining a quorum, but will have no effect on the outcome of any matter voted on at the meeting.

Cumulative Voting

Shareholders have cumulative voting rights in the election of directors and one vote per share on all other matters. Cumulative voting allows a shareholder to multiply the number of shares owned on the record date by the number of directors to be elected and to cast the total for one nominee or distribute the votes among the nominees, as the shareholder desires. Nominees who receive the greatest number of votes will be elected. In order to invoke cumulative voting, notice of cumulative voting must be given in writing to the Secretary of the Company not less than 48 hours before the Annual Meeting.

Proxies and Voting Procedures

Solicitation of proxies through the mail, in person and otherwise, is conducted by management at the direction of National Interstate's Board of Directors, without additional compensation. National Interstate will pay all costs of soliciting proxies. In addition, National Interstate will request brokers and other custodians, nominees and fiduciaries to forward proxy-soliciting material to the beneficial owners of shares held of record by such persons at the Company's expense.

Registered shareholders may vote by completing a proxy form and mailing it to the proxy tabulator, National City Bank. Shareholders whose shares are held in the name of a broker, bank or other nominee should refer to the proxy card or the information forwarded by such broker, bank or other nominee. To vote, shareholders should complete and sign the bottom portion of the proxy form and return only that portion to the proxy tabulator.

If a choice is specified on a properly executed proxy form, the shares will be voted accordingly. If a proxy form is signed without a preference indicated, those shares will be voted FOR the election of the four nominees proposed by the Board of Directors and FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm. The authority solicited by this Proxy Statement includes discretionary authority to cumulate votes in the election of directors. If any other matters properly come before the meeting or any adjournment thereof, each properly executed proxy form will be voted in the discretion of the proxies named therein.

A shareholder may revoke a prior proxy by writing to our Secretary at the Company's principal offices or by properly executing and delivering a proxy bearing a later date. In addition, persons attending the meeting in person may withdraw their proxies at the meeting and then vote in person.

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With respect to Proposal No. 1, the four nominees who receive the greatest number of votes will be elected. Proposal No. 2 will be adopted only if it receives approval of majority vote of those shares cast at the meeting.

Adjournment and Other Matters

Approval of a motion for adjournment or other matters brought before the meeting requires the affirmative vote of a majority of the shares voting at the meeting. Management knows of no other matters to be presented at the meeting other than those stated in this document.

MATTERS TO BE CONSIDERED

Proposal No. 1 Elect Four Directors

The Board of Directors oversees the management of the Company on your behalf. The Board reviews the Company's long-term strategic plans and exercises direct decision-making authority in key areas such as choosing the President, setting the scope of his authority to manage the Company's business day-to-day, and evaluating management's performance.

Our Board of Directors is currently comprised of eight directors divided into two classes. Each director serves for a two-year term, with Class II directors elected in even numbered years and Class I directors elected in odd numbered years. The term for our Class II directors expires at this year's Annual Meeting of Shareholders. Keith A. Jensen, James C. Kennedy, Joel Schiavone and Alan R. Spachman are our current Class II directors. Theodore H. Elliott, Jr., Gary J. Gruber, Donald D. Larson and K. Brent Somers are our current Class I directors. As previously disclosed in the Company's Current Report on Form 8-K dated February 7, 2006, Mr. Somers announced his intent to resign from the Board for personal reasons. Mr. Somers will serve until the meeting of the Board of Directors immediately following the Annual Meeting of Shareholders, at which time Mr. Joseph E. (Jeff) Consolino has been proposed by the Nominating/Governance Committee to be elected by the Board of Directors to fill the unexpired portion of Mr. Somers' term. Mr. Consolino's biographical information is included with that of the Class I directors on page 4 of this report.

Our Board of Directors has determined that three of our current eight directors, Mr. Elliott, Mr. Somers and Mr. Schiavone are independent in accordance with Nasdaq National Market listing standards and Securities and Exchange Commission regulations. The Board has determined that Mr. Consolino, if and when approved by the Board to succeed Mr. Somers, is also independent in accordance with Nasdaq National Market listing standards and Securities and Exchange Commission regulations. We are not required to have a majority of independent directors on our Board as would otherwise be required by the rules of the Nasdaq National Market because of the controlled company exemption from these rules that applies to companies where more than 50% of the shareholder voting power is held by an individual, a group or another company. As described elsewhere in this Proxy Statement, Great American Insurance Company holds approximately 53% of our voting power.

The Board of Directors, acting on the advice of its Nominating/Governance Committee, has nominated four individuals to hold office until the 2008 Annual Meeting of Shareholders and until their successors are elected and qualified. If any of the nominees should become unable to serve as a director, the proxies will be voted for any substitute nominee designated by the Board of Directors but, in any event, no proxy may be voted for more than four nominees. The four nominees who receive the greatest number of votes will be elected.

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The nominees for election as Class II members of the Board of Directors are:

Keith A. Jensen

Director since April 2000

Mr. Jensen has served as senior vice president of American Financial Group, Inc. since 1999 and was named its chief financial officer in January 2005. Mr. Jensen joined the Great American Property and Casualty Insurance Group in 1999 as senior vice president and chief financial officer and was promoted to executive vice president in 2004. Mr. Jensen has served on the Board of Directors of Great American Insurance Company, our largest shareholder, since 1999. From February 2003 to December 2003, Mr. Jensen served on the Board of Directors of Infinity Property & Casualty Corporation. Before working with American Financial Group, Inc., Mr. Jensen was a partner with Deloitte & Touche LLP. Mr. Jensen is a member of the Compensation Committee.

James C. Kennedy

Director since January 2005

Mr. Kennedy has been the vice president, deputy general counsel and secretary of American Financial Group, Inc., parent of our largest shareholder, since 1998. Mr. Kennedy joined American Financial in 1976, was named secretary in 1984, deputy general counsel in 1988 and vice president in 1998. Mr. Kennedy is the Chair of the Nominating/Governance Committee.

Joel Schiavone

Director from January 1989 until December 1989 and then re-elected in 2002

Since 1999, Mr. Schiavone has been the managing partner of several privately-held New Haven based real estate companies. Prior to that, Mr. Schiavone was the owner and chief executive officer of Schiavone Corporation, a holding company for a variety of investments. Mr. Schiavone is a member of the Audit and Nominating/Governance Committees.

Alan R. Spachman

Director since 1989

Mr. Spachman is our founder, and has served as President since 1989 and Chairman since 2004. From 1984 through 1988, Mr. Spachman was a senior vice president at Progressive Corporation, where he initiated its passenger transportation insurance business. In addition to his insurance experience, Mr. Spachman previously held various labor relations and human resource management positions with Collins and Aikman, Inc. and Frito-Lay, Inc. Mr. Spachman served on the Board of Directors of the United Motorcoach Association, a national trade association, for a term that expired in 2005.

The Board of Directors recommends that shareholders vote FOR the election of these four nominees as directors.

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Below is information about our Class I directors:

Theodore H. Elliott, Jr.

Director since 1989

Since 1981, Mr. Elliott has been in the venture capital business as the chairman of Prime Capital Management Company, Inc. and as a private investor. Prime Capital was a founding investor in National Interstate in 1989. Prior to Prime Capital Management, Mr. Elliott was vice president of General Electric's venture capital subsidiary. Mr. Elliott is a director of MUPAC, a subsidiary of Carlo Gavazzi Holding AG (Swiss), and Input/Output (NYSE). Mr. Elliott is a member of the Audit and Compensation Committees.

Gary J. Gruber

Director since April 1991

Mr. Gruber has served as senior vice president of Great American Insurance Company, our largest shareholder. Mr. Gruber joined Great American in 1977 and has held a variety of financial and management positions since 1990. Mr. Gruber has served as a member of the Board of Directors of Great American Insurance Company since 1993. Mr. Gruber is a member of the Nominating/ Governance Committee.

Donald D. Larson

Director since April 1991

Mr. Larson served as our Chairman from 1993 until 2004. Mr. Larson has served as executive vice president and president, specialty group, for the Great American Property and Casualty Insurance Group since 1999. Mr. Larson began his career with American Financial Group, Inc. in 1973 and joined Great American Insurance Company, our largest shareholder, in 1981. Mr. Larson has served on the Board of Directors of Great American Insurance Company since 1988. Mr. Larson is the Chair of the Compensation Committee and a member of the Nominating/Governance Committee.

K. Brent Somers

Director since January 2005

Mr. Somers has been the president of Somers & Associates LLC, a management-consulting firm, since 2002. Prior to founding Somers & Associates, Mr. Somers was senior executive vice president and chief financial officer of KeyCorp from 1996 to 2002. Mr. Somers serves on the board of directors of The Boyds Collection Ltd. where he is chairman of the Audit Committee. He also serves on the board of Catholic Healthcare Partners, where he is chairman of the finance and strategy committee. Mr. Somers is a member of the Compensation Committee and is Chair of the Audit Committee.

Joseph E. (Jeff) Consolino

Director Nominee

Mr. Consolino is executive vice president and chief financial officer for Validus Holdings, Ltd., a Bermuda-based reinsurance company. Prior to joining Validus in March, 2006, Mr. Consolino was a managing director in Merrill Lynch's Financial Institutions Group specializing in insurance company advisory and financing transactions. Mr. Consolino has worked on a broad range of investment banking assignments for insurance company clients since joining Merrill Lynch in 1998, and recently led the underwriting team for National Interstate's \$60 million initial public offering in January 2005. He serves as a Director on the Board of Overseers of the School of Risk Management, Insurance and Actuarial Science at St. John's University (formerly The College of Insurance). Mr. Consolino, if approved by the Board, will be a member of the Compensation Committee and Chair of the Audit Committee.

Table of Contents**Proposal No. 2 Ratification of the Company's Independent Registered Public Accounting Firm**

The Company's Audit Committee Charter provides that the Audit Committee shall appoint annually a firm of independent registered public accountants to serve as auditors. In March 2006, the Audit Committee appointed Ernst & Young LLP to serve as auditors for the year ending December 31, 2006. Ernst & Young LLP (or its predecessor) has served as the Company's independent auditors since the Company's founding.

Although the Audit Committee has the sole authority to appoint auditors, it would like to know the opinion of shareholders regarding its appointment of Ernst & Young LLP as auditors for the year ending December 31, 2006. For this reason, shareholders are being asked to ratify this appointment. If the shareholders do not ratify the appointment, the audit committee will take that fact into consideration, but may, nevertheless, continue to retain Ernst & Young LLP. The Audit Committee may also engage a different registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company.

Audit Fees and Non-Audit Fees

The following table presents fees for professional audit services by Ernst & Young LLP for the audit of the Company's annual financial statements for the years ended December 31, 2005 and December 31, 2004, and fees billed for other services rendered by them during these periods.

	2005	2004
Audit fees(1)	\$ 611,972	\$ 921,562
Audit related fees(2)	6,500	3,650
Tax fees(3)	10,000	8,500
All other fees(4)	1,601	
Total	\$ 630,073	\$ 933,712

- (1) Ernst & Young LLP's aggregate fees for services related to the audits of the GAAP financial statements, statutory insurance company audits, reviews of Securities and Exchange Commission filings and for quarterly reviews. The 2004 amount includes \$581,494 related to the Company's initial public offering filing.
 - (2) Ernst & Young LLP's audit related services included services related to the Ohio Department of Insurance exam and services related to the adoption of Statement of Financial Accounting Standard 123(R) in 2005 and services related to the consent for Form S-8 filing fees in 2004.
 - (3) Ernst & Young LLP's tax fees included charges primarily related to the review of federal and state tax returns.
 - (4) All other fees are related to an EYOnline subscription, which is used by the Company to conduct financial research.
- Representatives of Ernst & Young LLP are expected to be at the meeting and will be given the opportunity to make a statement if they desire to do so. They will also be available to respond to appropriate questions from shareholders.

The Board of Directors recommends that shareholders vote FOR the ratification of the appointment of Ernst & Young LLP as National Interstate's independent registered public accounting firm.

Table of Contents**PRINCIPAL SHAREHOLDERS**

The following shareholders are the only persons known by the Company to own beneficially 5% or more of its outstanding common shares as of March 21, 2006:

Name and Address of Beneficial Owner	Common Stock Held (1)	Percent of Class	Percent of Voting Power (2)
Alan R. Spachman c/o National Interstate Corporation 3250 Interstate Drive Richfield, Ohio 44286	3,096,000	14.3%	16.2%
Great American Insurance Company 580 Walnut Street Cincinnati, Ohio 45202	10,200,000	47.2%	53.4%
The TCW Group, Inc.(3) 865 South Figueroa Street Los Angeles, California 90017	1,109,039	5.1%	5.8%

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934 and generally includes voting and investment power with respect to securities, subject to community property laws, where applicable. The table also 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 21, 2006.
- (2) Does not include shares held by our subsidiary, National Interstate Insurance Company. Under Ohio law, shares held by an issuer's wholly-owned subsidiary do not have voting rights and are not counted for quorum purposes.
- (3) As of February 9, 2006, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. The TCW Group, Inc. has shared voting power with respect to 741,203 of these shares and has shared dispositive power with respect to all of these shares.

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The table below provides information regarding our directors and executive officers as of March 31, 2006. There are no family relationships among any directors or executive officers.

Name	Age	Position	Director or
			Executive Officer
			Since
Alan R. Spachman	58	Chairman of the Board and President	1989
David W. Michelson*	48	Executive Vice President and Chief Operating Officer	1992
Terry E. Phillips	56	Senior Vice President, Claims, Reinsurance	1999
Julie A. McGraw**	41	Vice President and Chief Financial Officer	2006
Gary N. Monda	49	Vice President and Chief Investment Officer	1999
Eric J. Raudins***	39	Vice President, Personal Lines	2000
Paul F. Haffner	37	Vice President, Secretary and General Counsel	2005
Theodore H. Elliott, Jr.(1)(2)	70	Director	1991
Gary J. Gruber(3)	50	Director	1991
Keith A. Jensen(2)	55	Director	2000
Donald D. Larson(2)(3)(5)	54	Director	1991
Joel Schiavone(1)(3)	69	Director	2001
James C. Kennedy(3)(6)	55	Director	2005
K. Brent Somers(1)(2)(4)	57	Director	2005

* David W. Michelson was initially employed by the Company in 1992 through 1998 and rejoined the Company in 1999.

** Julie A. McGraw joined the Company as an executive officer on January 9, 2006.

*** As of January 31, 2006, Eric J. Raudins is no longer an executive officer of the Company.

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating/Governance Committee.
- (4) Chair of the Audit Committee.
- (5) Chair of Compensation Committee.
- (6) Chair of Nominating/Governance Committee.

For biographical information concerning the directors (including our Chairman and President Mr. Spachman) and nominees for director, please see pages 2-4.

David W. Michelson has served as our Executive Vice President and Chief Operating Officer since August 2005. Mr. Michelson has held several positions including Senior Vice President, Commercial Lines during his initial employment with the Company from 1992 through 1998 and since rejoining National Interstate in 1999. Mr. Michelson has also held various positions in the insurance industry at Reliance Insurance Company, Liberty National Fire and Progressive Corporation. Mr. Michelson holds a B.S. from Miami University and a M.B.A. from the University of Alabama at Birmingham.

Terry E. Phillips has served as Senior Vice President of National Interstate Insurance Company since August 2005, and was previously Vice President, Claims since 1999. Prior to joining our company, Mr. Phillips was senior vice president of claims for Continental National Indemnity from 1989 to 1999. Mr. Phillips previously served in both management and claims capacities for Midwestern Group, USF&G and TransAmerica Group Insurance Companies. Mr. Phillips holds a B.S. from the University of Toledo and a M.B.A from Regent University.

Gary N. Monda has served as our Vice President and Chief Investment Officer since January 2006 and was previously our Vice President and Chief Financial Officer since 1999. Prior to joining our company, Mr. Monda served the insurance industry as vice president, strategic planning for Victoria Financial Corporation

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and held various financial and general management positions with Progressive Corporation over a period of fifteen years. Mr. Monda also worked for four years at the public accounting firm of Ernst & Young LLP. Mr. Monda holds a B.S. in Mathematics and Accounting from Baldwin-Wallace College.

Julie A. McGraw has served as our Vice President and Chief Financial Officer since January 2006. Prior to joining our Company, Ms. McGraw held various positions at HMI Industries Inc. from 1996 to 2006, including vice president and chief financial officer/treasurer. Additionally Ms. McGraw held positions at Moen Inc., Isolab Inc. and at Price Waterhouse (Cleveland, Ohio office). Ms. McGraw holds a B.B.A. in Accounting from Kent State University.

Paul F. Haffner has served as our Vice President, Secretary and General Counsel since June 2005. Prior to joining National Interstate, Mr. Haffner served as divisional assistant vice president and senior corporate counsel for Great American Insurance Company from 2000 through June 2005. Mr. Haffner began his legal career as an associate in the corporate and securities department of Thompson Hine LLP. Mr. Haffner holds a B.A. from Dartmouth College and a J.D. from University of Cincinnati College of Law.

Section 16(a) Beneficial Ownership Reporting Compliance

Our common shares became registered pursuant to Section 12 of the Exchange Act in January 2005. As a result of such registration, Section 16(a) of the Exchange Act requires our directors, executive officers and the holders of more than 10% of our common stock to file reports with the Securities and Exchange Commission. Such reports include initial reports of ownership of our common shares and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Executive officers, directors and 10% stockholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) forms that they file.

Based on the Company's review of the copies of such forms it has received, the Company believes that all of its executive officers and directors complied with all filing requirements applicable to them with respect to transactions during fiscal year 2005 with three exceptions. Messrs. Michelson and Phillips each inadvertently filed a late Form 4 reporting stock options that had been granted to each by the Company's Compensation Committee. Mr. Raudins inadvertently filed a late Form 4 reporting a series of stock option exercises and sales.

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The following table sets forth information, as of March 21, 2006, concerning the beneficial ownership of equity securities of the Company and its subsidiaries by each director, the executive officers named in the Summary Compensation Table (see Compensation below) and by all of our directors and executive officers as a group. Such information is based on data furnished by the persons named. Except as set forth in the following table, no director or executive officer beneficially owned 1% or more of any class of equity security of the Company or any of its subsidiaries outstanding at March 21, 2006. Unless otherwise indicated, the persons named have sole voting and dispositive power over the shares reported.

Name of Beneficial Owner	No. of		Voting
	Shares (1)	Percent	Power (2)
Alan R. Spachman	3,096,000	14.3%	16.2%
David W. Michelson	98,000	*	*
Terry E. Phillips	79,000	*	*
Gary N. Monda(3)	77,100	*	*
Eric J. Raudins(4)	33,005	*	*
Donald D. Larson	1,000	*	*
Keith A. Jensen	500	*	*
Gary J. Gruber	1,000	*	*
Joel Schiavone	120,000	*	*
Theodore H. Elliott, Jr.	215,200	1.0%	1.1%
James C. Kennedy	1,000	*	*
K. Brent Somers		*	*
All directors and executive officers as a group (14 persons)	3,721,805	17.2%	19.4%

* Less than 1%.

(1) Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act and generally includes voting and investment power with respect to securities, subject to community property laws, where applicable. The table also 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 21, 2006 (Spachman 16,000; Michelson 10,000; Phillips 9,000; Monda 23,000).

(2) Does not include shares held by our subsidiary, National Interstate Insurance Company. Under Ohio law, shares held by an issuer's wholly-owned subsidiary do not have voting rights and are not counted for quorum purposes.

(3) Gary N. Monda holds 75,500 shares directly, in which he has sole voting and dispositive power. He additionally holds 1,600 shares indirectly (by children), in which he has shared voting and dispositive power.

(4) As of January 31, 2006, Eric J. Raudins is no longer an executive officer of the Company. Mr. Raudin's securities ownership is based on the most recent information available to the Company.

Equity Compensation Plan Information

The following reflects certain information about shares of the Company's common stock authorized for issuance (at December 31, 2005) under compensation plans:

Equity Compensation Plans	Number of Securities to		Number of Securities Available
	be Issued Upon	Weighted-Average	for Future Issuance Under
	Exercise of	Exercise Price of	Equity Compensation Plans
	Outstanding Options	Outstanding Options	(Excluding Securities
	(a)	(b)	Reflected in Column (a))
			(c)

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Approved by shareholders	785,000	12.43	377,400
Not approved by shareholders	none	N/A	none

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The following table sets forth information with respect to the annual and long-term compensation earned by our President and by our next four highest paid executive officers for the years ended December 31, 2005, December 31, 2004 and December 31, 2003. We refer to our President and these officers together as our named executive officers. Bonuses are for the year shown regardless of when paid.

Summary Compensation Table

Name and Position	Year	Annual Compensation		Number of Shares	Compensation (17)
		Salary	Bonus (1)	Underlying Options Granted	
Alan R. Spachman Chairman of the Board and President	2005	\$ 320,000	\$ 364,133(2)	80,000	\$ 7,500
	2004	312,000	249,092(3)		7,500
	2003	300,000	109,127(4)		5,950
David W. Michelson Executive Vice President and Chief Operating Officer	2005	223,912	184,976(5)	90,000	7,500
	2004	200,000	164,153(6)		7,500
	2003	190,000	78,296(7)		5,950
Terry E. Phillips Senior Vice President, Claims, Reinsurance	2005	176,335	166,174(8)	80,000	7,500
	2004	160,000	140,346(9)		7,500
	2003	152,000	61,662(10)		5,406
Gary N. Monda Vice President and Chief Investment Officer	2005	157,370	128,571(11)	35,000	7,500
	2004	151,317	80,626(12)		6,985
	2003	146,200	38,880(13)		5,151
Eric J. Raudins Vice President, Personal Lines	2005	160,000	105,298(14)	35,000	7,500
	2004	151,929	75,340(15)		7,379
	2003	147,000			