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National Interstate CORP
Form 10-Q
May 04, 2016
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 March 31, 2016

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

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 April 29, 2016 was 19,925,875.

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements

National Interstate Corporation and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost – \$1,080,793 and \$1,038,230, respectively)	\$1,100,748	\$1,050,988
Equity securities available-for-sale, at fair value (amortized cost – \$82,803 and \$81,919, respectively)	82,819	81,629
Other invested assets	48,587	47,891
Total investments	1,232,154	1,180,508
Cash and cash equivalents	50,400	71,944
Accrued investment income	8,950	9,227
Premiums receivable, net of allowance for doubtful accounts of \$2,184 and \$2,127, respectively	283,294	294,812
Reinsurance recoverable on paid and unpaid losses	237,006	230,346
Prepaid reinsurance premiums	55,276	51,176
Deferred policy acquisition costs	22,541	22,265
Deferred federal income taxes	30,893	33,835
Property and equipment, net	22,077	22,562
Funds held by reinsurer	6,271	7,850
Intangible assets, net	7,650	7,650
Prepaid expenses and other assets	2,068	3,707
Total assets	\$1,958,580	\$1,935,882
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$1,032,252	\$1,014,195
Unearned premiums and service fees	321,500	336,934
Long-term debt	12,000	12,000
Amounts withheld or retained for accounts of others	119,955	115,174
Reinsurance balances payable	36,805	37,097
Accounts payable and other liabilities	47,786	41,277
Commissions payable	15,390	15,307
Assessments and fees payable	5,115	5,001
Total liabilities	1,590,803	1,576,985
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 3,426 and 3,441 shares, respectively, in treasury	234	234
Additional paid-in capital	61,867	61,926
Retained earnings	297,558	293,516

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Accumulated other comprehensive income	12,981	8,105
Treasury shares	(4,863) (4,884
Total shareholders' equity	367,777	358,897
Total liabilities and shareholders' equity	\$1,958,580	\$ 1,935,882

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	
	March 31,	
	2016	2015
Revenues:		
Premiums earned	\$149,414	\$137,823
Net investment income	10,415	9,656
Net realized (losses) gains on investments (*)	(1,145)	1,069
Other	673	830
Total revenues	159,357	149,378
Expenses:		
Losses and loss adjustment expenses	115,473	108,781
Commissions and other underwriting expenses	24,523	22,983
Other operating and general expenses	7,550	6,243
Expense on amounts withheld	1,894	1,501
Interest expense	53	47
Total expenses	149,493	139,555
Income before income taxes	9,864	9,823
Provision for income taxes	3,024	2,714
Net income	\$6,840	\$7,109
Net income per share – basic	\$	