

Silver anniversary

National Interstate has built an enterprise capable of navigating market turbulence

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Describing what has stayed the same during National Interstate's first 25 years is easier than listing everything that's changed, according to Dave Michelson, the company's president and CEO.

Today, National Interstate Corp. remains an underwriter of passenger transportation operators across the country.

"But really almost everything else to some degree has changed," Michelson says.

National Interstate has gone from a private company to a publicly traded one, has expanded beyond passenger transportation into half a dozen wheels-type niches and has gone from a target of acquisition to an acquirer. Back when Michelson was hired, he was the company's 20th employee, now there are 580.

This year, the company celebrates a quarter century in business. As it has grown over the years, so has Michelson's role. When he joined the company in 1992, three years after it was formed, he was the company's second vice president of underwriting — the No. 2 role.

In 2008, he was appointed president and CEO following a progression of roles



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— DAVE MICHELSON, PRESIDENT AND CEO, NATIONAL INTERSTATE CORP.

with gradually increasing responsibilities.

He's also grown personally, finding a work/life balance that puts family first and his role at the company a close second.

"I still work a ridiculous number of hours, but that's really self-imposed," he says. "National Interstate and the National Interstate family are very big parts of my life, and I think they are a very big part of our employees' lives."

As head of that family, his effectiveness impacts the personal and professional opportunities of his employees.

"I've learned over my tenure as CEO in particular that if myself and the rest of the management team do our jobs well, that we actually become, in a related way, a part of everyone's lives here. I've learned to appreciate and take that responsibility very seriously. And it actually makes my job more rewarding," he says.

A disciplined approach

The market in which National Interstate operates has also grown. Michelson says the insurance marketplace moves, rather rhythmically, through hard and soft market cycles where the insurance supply either shrinks, causing prices to rise, or grows, causing prices to drop.

"As a part of one of these cycle, in 1994, we lost five of our 10 largest premium-paying customers. In 1995 we lost the other five. So in two underwriting years we walked away from our top 10 largest accounts," he says.

The result of this turbulence was the recognition that it was vulnerable because of its narrow market focus. So the company looked to diversify.

"There were several things that we entertained back in the 1995 to 1996 time frame that allowed us to diversify," Michelson says. For example, it moved into recreation vehicle insurance and captive insurance.

The company also happened upon an opportunity to move into a new market: Hawaii.

"There was another insurance carrier in that state that was doing a lot of business and it decided to pull back a little bit, and actually exit the state," Michelson says. "And what ended up happening is it opened up an opportunity for us to establish a Honolulu, Hawaii, office back in the fall of 1995."

National Interstate started by servicing and underwriting clients in Hawaii via its home office in Ohio and a two-person marketing office in California. Soon, it established a full office in Honolulu. The company also expanded its product offering there to include truck insurance, taxicab and small business owners.

An influx of what Michelson calls "naive capital," investments made by investment bankers who may not fully understand the insurance business like insurance experts, means the competition is acting more unpredictably, making forecasting difficult.

"We just never know from one day to the next who is going to enter and who is going to exit," Michelson says. "What we've done is we stay with underwriting discipline as a focal point in the marketplaces that we're in."

That approach encouraged the company to look for other market opportunities, which led it into other niches such as waste operations, energy, tow truck, excess liability and ambulance. It also led it to acquire Vanliner Insurance Co. in 2010.

"All of those different mechanisms we've used to maintain that growth trajectory while still staying focused on underwriting profitability. Without it, we really can't be a long-term, viable, profitable organization generating the necessary return for shareholders," Michelson says.

Growing the family

One of the things Michelson says he has come to appreciate during his time at National Interstate is that the company's success is about everyone individually doing their job and working together.

"Our needs, our biggest resource going forward, is human capital," Michelson says. "If I lose sleep over anything, it's our ongoing ability to hire, train and retain the very best employees, wherever we have employees located. ... It's all about the people. And we're focusing on it all the time."

The company approaches the challenge by casting a wide net. It recruits on campuses, runs internship programs and hires seasoned insurance veterans. The company has also partnered with Kent State University to establish its first scholarship program.

"We're just doing anything and everything we can to engage with the existing employees, as well as what can

balance with what it can provide while being mindful that it still has to provide an appropriate return to its shareholders.

"It's a challenge. I think we do some things in that area well, but I'm not going to presume that we're perfect because I know that we're not. We're always looking for ways to do and try new and different things," Michelson says.

In the year 2039

When National Interstate celebrates its 50th anniversary, Michelson, if still at the helm, says he would hope to be able to say he was part of something special 25 years ago, and that it's still special.

"I know that if I was given 10 tries at writing the story of National Interstate



we do to hire, train and retain new talent brought into the organization. Because the 580 employees we have today are not going to be enough next year to do this business because we're going to grow," Michelson says.

But casting such a wide net — and drawing in a multigenerational workforce — presents its own challenge.

"One of the things I know we're focusing on is how do you engage with employees who are across generations in your organization? We've got a wide range of ages and priorities here and that's challenging," he says.

Each generation has different career priorities, which the company has to

over its first 25 years I would have not written this story in any of those 10 tries," Michelson says. "It has been a really fascinating, exciting, challenging first 25 years."

He says he hopes the things the company is proud of now — its financial results, fostering an environment of collaboration, creating career opportunities for its employees — are the same things the company would be able to boast about again when the clock rolls forward from 2014 to 2039.

"It's just that we'd be bigger and better at it." ●

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