

## **NATIONAL INTERSTATE CORPORATION NOMINATING/GOVERNANCE COMMITTEE CHARTER**

### **Authority**

- The Board of Directors, by resolution dated August 5, 2004, established the Nominating/Governance Committee.
- The Nominating/Governance Committee Charter was adopted by the Board on October 28, 2004.

### **Purpose**

- To discharge the Board of Directors' responsibilities relating to identifying individuals qualified to become members of the Board of Directors;
- To recommend to the Board of Directors the Director nominees for directorships to be filled by the Board (i) in the case of a vacancy or (ii) for the class of Directors that will stand for election at the next annual meeting of shareholders;
- To assist the Board of Directors in determining whether Director candidates and current Board members meet the criteria for being an "independent director" (as defined by the Nasdaq Stock Market, Inc.'s ("NASDAQ") rules, Section 10A of the Securities and Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission's regulations;
- To recommend members of the Board to serve on each Board committee;
- To lead the Board of Directors in its annual review of the Board of Directors' performance, including the performance of the Board Committees; and
- To develop and recommend to the Board corporate governance principles for the Company.

### **Structure and Membership**

The Committee shall be comprised of no fewer than three Directors as appointed by the Board. So long as the Company is a "controlled company" pursuant to NASDAQ Rule 4350(c)(5), only one member of the Committee must qualify as an "independent director" as defined above.

The Board will appoint the members of the Committee annually and each member will serve until such member's successor is duly designated or until such member's earlier resignation or removal. The Board may remove any member of the Committee from the Committee, with or without cause, by a majority vote of the Board. Unless the Board designates a Chairperson of the Committee, the members of the Committee will designate a Chairperson by a majority vote of the full Committee. The Chairperson will chair all regular sessions of the Committee and will set the agendas for Committee meetings.

### **Duties and Responsibilities**

The Committee is a part of the Board. The Committee's primary responsibilities are to identify and recommend Director nominees to the Board and to develop corporate governance principles for the Company.

The following duties shall be common recurring activities of the Committee in carrying out its purposes set forth in this Charter. These duties should serve as a guide with the understanding

that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other duties and responsibilities delegated to it by the Board from time to time related to the purposes of the Committee set forth in this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern within the purposes of the Committee that the Committee deems appropriate or necessary and shall have the authority, at the Company's expense, to engage and terminate outside counsel, search firms or other advisors for this purpose, and the authority to approve fees payable to such counsel and advisors and any other terms of retention.

To fulfill its duties and responsibilities, the Committee shall do the following:

#### *Board Composition and Evaluation*

- Periodically review and, if necessary, to recommend amendments to the Director Nomination Procedures and Criteria for the shareholder nomination of Director candidates as set forth in Exhibit A hereto in accordance with the provisions of the Company's Code of Regulations.
- Identify individuals believed to be qualified as candidates to serve on the Board and recommend that the Board select the candidates for directorships to be filled by the Board or by the shareholders at an annual or special meeting.
- Review and make recommendations to the Board regarding whether current members of the Board should stand for re-election with their class at an annual meeting.
- Conduct all necessary and appropriate inquiries into the backgrounds and qualifications of possible Director candidates, including, if necessary, retaining a search firm to be used in assisting with the identification of candidates and approving fees payable to such search firm.
- Review and make recommendations regarding the composition and size of the Board in order to ensure the Board has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds.
- Oversee evaluation of the Board of Directors, at least annually.
- Conduct an annual self-evaluation of the Committee's performance.

#### *Committee Selection and Composition*

- Recommend members of the Board to serve on each Board committee, giving consideration to the criteria for service on each committee as set forth relevant SEC rules, NASDAQ rules, relevant Internal Revenue Code or Regulations and in each committee's charter.
- Periodically review the charter and composition of each Board committee and make recommendations to the Board for the adoption of or revisions to the committee charters.

#### *Corporate Governance*

- Develop and recommend to the Board and revise from time to time corporate governance principles for the Company.

#### *Reports and Minutes*

- Report at least annually to the Board (i) following meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities, and (iii) with respect to such recommendations as the Committee may deem appropriate. The

report to the Board may take the form of an oral report by the Chairperson or any other member of the Committee designated by the Committee to make such a report.

- Maintain minutes and other records of meetings and activities of the Committee, as appropriate under Ohio law.

**Committee Meetings and Action**

- A majority of the Committee members will be a quorum for the transaction of business.
- The action of a majority of those present at a meeting at which a quorum is present will be an act of the Committee.
- Any action which may be taken at a meeting of the Committee will be deemed the action of the Committee if all of the Committee members execute a written consent and the consent is filed with the Corporate Secretary.
- The Company's General Counsel will be the management liaison to the Committee.
- The Corporate Secretary or assistant secretary shall be responsible for keeping minutes of the Committee meetings.
- The Committee will meet at least once a year and at such other times as may be requested by its Chairperson.

### **Director Nomination Procedures and Criteria**

The Nominating/Governance Committee will consider nominees for the Board of Directors recommended by shareholders entitled to vote at the annual meeting in accordance with the following procedures. Any shareholder who wishes to suggest a Director candidate for consideration must provide written notice to the Secretary of the Company within the time frame established by the Company's Code of Regulations.

The notice should be sent by certified mail, return receipt requested or by reputable overnight delivery service, confirmation signature requested. The notice must set forth, as to each nominee, all of the information about the candidate required to be disclosed in a proxy statement complying with the rules of the Securities and Exchange Commission used in connection with solicitation of proxies for the election of the candidate as a Director.

The notice must include the nominee's signed consent to serve as a Director if elected and must also set forth:

- the name and address of the shareholder giving the notice,
- a representation that the shareholder is a holder of record of our common shares entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to nominate the person specified in the notice,
- the beneficial owner on whose behalf the nomination is made and any other shareholders believed to be supporting such nominee, and
- the number of our common shares beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) by the shareholder.

Nominees for election to the Board of Directors, whether suggested by a shareholder or otherwise, should have at least the following attributes:

- Integrity, commitment and independence of thought and judgment essential to effective decision making.
- Ability and willingness to dedicate necessary time, energy and attention to prepare for, attend and participate in meetings of the Board and one or more committees. We will also consider the number of other public company boards, if any, on which such person already serves and whether that involvement would materially interfere with responsibilities as a Director of the Company.
- Proven record of competence and accomplishment through demonstrated leadership in business, the insurance industry or other financial service industry, including director, CEO or senior management experience; financial and accounting experience; or other relevant experiences that will provide the Board with perspectives that will enhance Board effectiveness.
- Background and experience that complements the background and experience of other Board members.
- Willingness to represent the interests of all of our shareholders rather than any special interests or constituency while keeping in perspective the interests of our employees and customers. Free from interests that are in conflict with, or adverse to, the interests of the Company.

- Meets the Audit Committee expertise requirements, where necessary.
- Reflects the diversity of our shareholders, employees and customers.
- Willing and available to serve at least one term.

Before evaluating any candidate, the Committee will determine the need for additional Board members to fill vacancies or expand the size of the Board. Any candidate for election to the Board recommended by a shareholder will be evaluated by the Committee in the same manner that any other nominee for election to the Board (other than Directors standing for re-election) is evaluated. The evaluation process will typically include a review by the full Committee of the nominee's qualifications and other relevant characteristics. If the Committee determines that a candidate should be nominated for election to the Board, the Committee will present its findings and recommendation to the full Board of Directors for review and approval.