UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934**

For the Quarterly Period ended September 30, 2006.

☐ **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 000-28249

AMERINST INSURANCE GROUP, LTD.
(Exact Name of Registrant as Specified in its Charter)

BERMUDA **(State or other jurisdiction of Incorporation or Organization)**	**98-0207447** **(I.R.S. Employer Identification No.)**
c/o USA Risk Group (Bermuda) Ltd. **Windsor Place, 18 Queen Street, 2nd Floor** **P.O. Box HM 1601, Hamilton, Bermuda** **(Address of Principal Executive Offices)**	**HMGX** **(Zip Code)**

Registrant's telephone number, including area code: (441) 296-3973

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 1, 2006, the registrant had 995,253 common shares, $1.00 par value per share, outstanding.

Part I—FINANCIAL INFORMATION

Item 1. Financial Statements

AMERINST INSURANCE GROUP, LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, expressed in U.S. dollars)

	As of September 30, 2006	As of December 31, 2005
ASSETS		
INVESTMENTS		
Fixed maturity investments, at market value (amortized cost $26,085,462 and $24,571,442)	$25,864,880	$24,234,216
Equity securities, at market value (cost $17,687,626 and $16,258,197)	23,955,991	22,017,805
TOTAL INVESTMENTS	49,820,871	46,252,021
Cash and cash equivalents	1,367,787	2,282,039
Restricted cash and cash equivalents	429,920	1,165,322
Assumed reinsurance balances receivable	722,439	710,534
Fund deposit with a reinsurer	113,382	113,382
Accrued investment income	202,588	203,408
Deferred policy acquisition costs	997,741	1,119,157
Prepaid expenses and other assets	368,988	282,339
TOTAL ASSETS	$54,023,716	$52,128,202
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Unpaid losses and loss adjustment expenses	$30,778,670	$28,884,621
Unearned premiums	3,533,578	3,843,161
Accrued expenses and other liabilities	612,562	348,785
TOTAL LIABILITIES	34,924,810	33,076,567
STOCKHOLDERS' EQUITY		
Common shares, $1 par value, 2006 and 2005: 2,000,000 and 500,000 shares authorized, 995,253 and 331,751* issued and outstanding, respectively	995,253	331,751
Additional paid-in capital	6,138,368	6,801,870
Retained earnings	12,075,933	12,499,613
Accumulated other comprehensive income	6,047,783	5,422,382
Shares held by Subsidiary (322,587 and 105,595* shares) at cost	(6,158,431)	(6,003,981)
TOTAL STOCKHOLDERS' EQUITY	19,098,906	19,051,635
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$54,023,716	$52,128,202

* The number of shares outstanding and held by Subsidiary at December 31, 2005 are prior to the share dividend.

See the accompanying notes to the unaudited condensed consolidated financial statements.

AMERINST INSURANCE GROUP, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND RETAINED EARNINGS (Unaudited, expressed in U.S. dollars)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
REVENUE				
Net premiums earned	$ 6,442,252	$ 6,693,296	$ 2,187,221	2,226,448
Net investment income	984,023	820,000	334,998	281,948
Net realized gain (loss) on investments	837,845	1,249,351	(127,357)	287,127
TOTAL REVENUE	8,264,120	8,762,647	2,394,867	2,795,523
LOSSES AND EXPENSES				
Losses and loss adjustment expenses	4,696,578	4,712,455	1,531,055	1,560,825
Policy acquisition costs	1,918,539	1,950,673	628,620	632,262
Operating and management expenses	1,476,759	1,206,684	454,930	312,929
TOTAL LOSSES AND EXPENSES	8,091,876	7,869,812	2,614,605	2,506,016
NET INCOME (LOSS)	$ 172,244	$ 892,835	$ (219,743)	$ 289,507
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized holding gains (losses) arising during the period	1,463,246	(173,130)	1,260,514	170,033
Reclassification adjustment for (gains) losses included in net income	(837,845)	(1,249,351)	127,357	(287,127)
OTHER COMPREHENSIVE INCOME (LOSS)	625,401	(1,422,481)	1,387,871	(117,094)
COMPREHENSIVE INCOME (LOSS)	$ 797,645	$ (529,646)	$ 1,168,128	$ 172,413
RETAINED EARNINGS, BEGINNING OF PERIOD	$ 12,499,613	$ 10,000,521	$ 12,598,376	$ 10,304,416
Net income (loss)	172,244	892,835	(219,743)	289,507
Dividends	(595,924)	(596,029)	(302,700)	(296,596)
RETAINED EARNINGS, END OF PERIOD	$ 12,075,933	$ 10,297,327	$ 12,075,933	$ 10,297,327
Per share amounts*				
Net income (loss)	$ 0.25	$ 1.27	$ (0.32)	$ 0.42
Dividends	$ 0.88	$ 0.84	$ 0.45	$ 0.43
Weighted average number of shares outstanding for the entire period (for basic and diluted)	673,537	702,009	672,666	684,453

* The per share amounts have been adjusted retroactively for all periods presented to reflect the share dividend of two shares for every share outstanding completed in the second quarter of 2006.

See the accompanying notes to the unaudited condensed consolidated financial statements.

AMERINST INSURANCE GROUP, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, expressed in U.S. dollars)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
OPERATING ACTIVITIES		
Net Cash Provided by Operating Activities	$ 2,475,529	$ 2,150,543
INVESTING ACTIVITIES		
Movement in restricted cash and cash equivalents	735,402	5,983
Purchases of investments	(23,537,979)	(22,493,947)
Proceeds from sales and maturities of investments	20,163,170	26,364,314
Net Cash (Used in) Provided by Investing Activities	(2,639,407)	3,876,350
FINANCING ACTIVITIES		
Purchase of shares by subsidiary	(154,450)	(4,551,414)
Dividends paid	(595,924)	(596,029)
Net Cash Used in Financing Activities	(750,374)	(5,147,443)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (914,252)	$ 879,450
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	$ 2,282,039	$ 1,167,657
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,367,787	$ 2,047,107

See the accompanying notes to the unaudited condensed consolidated financial statements.

AMERINST INSURANCE GROUP, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
September 30, 2006

Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by AmerInst Insurance Group, Ltd. ("AmerInst") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods shown. These statements are condensed and do not incorporate all the information required under generally accepted accounting principles to be included in a full set of financial statements. It is suggested that these condensed statements be read in conjunction with the consolidated financial statements at and for the year ended December 31, 2005 and notes thereto, included in AmerInst's annual report for the year then ended.

New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 will be effective for fiscal years beginning after December 15, 2006 and the provisions of FIN 48 will be applied to all tax positions upon initial adoption of the Interpretation. The cumulative effect of applying the provisions of this Interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The Company is currently evaluating the potential impact of FIN 48 on its financial statements when adopted.

In September 2006, the FASB issued FAS 157, *Fair Value Measurement*. This Statement provides guidance for using fair value to measure assets and liabilities. Under this standard, the definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). FAS 157 clarifies that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets and the lowest priority to unobservable data. Further, FAS 157 requires tabular disclosures of the fair value measurements by level within the fair value hierarchy. FAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the potential impact of FAS 157 on its financial statements when adopted.

Tender Offer

On December 17, 2004, AmerInst, through its indirect wholly owned subsidiary, AmerInst Investment Company, Ltd., commenced a "modified Dutch auction" self-tender offer for AmerInst shares. Pursuant to the tender offer, which expired on January 21, 2005, 65,959 shares were accepted for purchase at a price of $60.00 per share, for a total purchase price of $4,298,229, including tender offer expenses of $340,698. (The number of shares purchased in the tender offer and the per share price set forth in the previous sentence have not been adjusted to reflect the share dividend described below.)

Share Dividend

On March 2, 2006, the board of directors of AmerInst approved a share dividend of two shares of common stock for every share held by shareholders of record on April 2, 2006, subject to shareholder approval of an increase in the number of our authorized shares. Such approval was received at the AmerInst 2006 Annual General Meeting on June 1, 2006, which increased the authorized share capital of the Company from $500,000 to $2,000,000. The total issued shares were 331,751 prior to the share dividend and 995,253 afterwards. Unless otherwise noted, all share and per share numbers in these financial statements and this quarterly report on Form 10-Q reflect the share dividend.

Rights Offering

AmerInst filed a registration statement on Form S-3 with the SEC on June 15, 2006 to register a rights offering to existing shareholders. The registration statement was amended on July 20, 2006 and declared effective July 24, 2006. Pursuant to the rights offering, which was mailed to shareholders on July 28, 2006, each shareholder received a right to purchase one common share for each share currently owned, at a price of $23.33 per share (after giving effect to the share dividend). Further information concerning the rights offering is contained in the prospectus dated July 28, 2006 and in our S-3 registration statement on file with the SEC. A total of 97,927 rights were exercised prior to October 4, 2006, the expiration date of the oversubscription right under the rights offering. As a result 97,927 shares were subsequently sold by AmerInst Investment Company, Ltd. to shareholders exercising rights, for a total purchase price of $2,284,637, before rights offering costs of approximately $250,000. Of these shares, 21,461 rights were exercised by AmerInst directors for a total purchase price of $500,685.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Unless otherwise indicated by the context, in this quarterly report we refer to AmerInst Insurance Group, Ltd. and its subsidiaries as the "Company," "we" or "us." Also, unless otherwise indicated by the context, "AmerInst" means the parent company, AmerInst Insurance Group, Ltd.

Our primary purpose is to maintain an insurance company which is intended to exert a stabilizing influence on the design, pricing and availability of accountants' professional liability insurance. Historically, the sole business activity of our wholly owned insurance company subsidiary, AmerInst Insurance Company, Ltd., has been to act as a reinsurer of professional liability insurance policies that are issued under the Professional Liability Insurance Plan sponsored by the American Institute of Certified Public Accountants ("AICPA"). The AICPA plan offers professional liability coverage to accounting firms and individual certified public accountants ("CPAs") in all 50 states. Currently, approximately 24,000 accounting firms and individual CPAs are insured under this plan. During 2003, we also reinsured attorneys' professional liability. Effective June 1, 2005, we accepted a 5% share in the first excess layer of $2,000,000 excess of $1,000,000 of CAMICO Mutual Insurance Company ("CAMICO"), a California-based writer of accountants' professional liability business. We continue to look for ways in which it may be advantageous to expand our business to include the reinsurance of lines of coverage other than accountants' professional liability. Any such expansion may be subject to our obtaining regulatory approvals.

Our reinsurance activity depends upon agreements with outside parties. In August 1993 we began the current reinsurance relationship with CNA, taking a 10% participation of the first $1,000,000 of liability of each policy written under the AICPA plan. Effective in December 1999, we began taking a 10% share of CNA's "value plan" business. The "value plan" provides for separate limits up to $1,000,000 for losses and up to $1,000,000 for expenses per occurrence and $2,000,000 in the aggregate. The maximum limits under the "value plan" are $2,000,000 per occurrence and $4,000,000 in the aggregate.

Third-party Managers and Service Providers

USA Risk Group (Bermuda) Ltd. provides the day-to-day services necessary for the administration of our business. Shareholder services are furnished by USA Risk Group of Vermont, Inc., an affiliate of USA Risk Group (Bermuda) Ltd.

The Country Club Bank of Kansas City, Missouri, provides portfolio management of fixed-income securities and directs our investments pursuant to guidelines approved by us. Harris Associates, L.P., Harris Alternatives Investment Group, and Northeast Investment Management, Inc. provide discretionary investment advice with respect to our equity investments.

Professional Liability Coverage

The form of professional liability policy issued by CNA which we ultimately reinsure is a Professional Liability Company Indemnity Policy form. The coverage provided under this policy is on a “claims made” basis, which means the policy covers only those losses resulting from claims asserted against the insured during the policy period. The insuring clause of the policy, which indemnifies for losses caused by acts, errors or omissions in the insured’s performance of professional accounting services for others, is in three parts:

Clause A indemnifies the accounting firm insured and, unless excluded by endorsements, any predecessor firms;

Clause B indemnifies any accountant or accounting firm while performing professional accounting services under contract with the insured;

Clause C indemnifies any former or new partner, officer, director or employee of the firm or predecessor firms.

Depending on the insured, defense costs for the policies issued by CNA (and reinsured by us) are either within the policy limits or in addition to policy limits. CNA charges additional premium to cover the cost of providing defense costs in addition to the policy limits under its “value plan.” Insureds under the value plan have separate limits for losses and defense costs. Settlements are made only with the written consent of the insured. However, if the insured contests the settlement recommended by the insurer, those policies will only cover costs that do not exceed the lesser of the amount for which the claim could have been settled or the policy limits.

Effective January 1, 2003, we entered into a 15% quota share participation in the attorneys’ professional liability coverage provided by Professionals Direct. This participation terminated on December 31, 2003.

Effective June 1, 2005, we accepted a 5% share in CAMICO’s first excess layer of $2,000,000 excess of $1,000,000. The contract renewed on June 1, 2006.

OPERATIONS

Three months ended September 30, 2006 compared to three months ended September 30, 2005:

We recorded a net loss of $219,743 for the quarter ended September 30, 2006 compared to net income of $289,507 for the same period of 2005. The decrease is due to a decline in net premiums earned and the recording of net realized loss on investments, and an increase in operating and management expenses for the quarter ended September 30, 2006 compared to the quarter ended September 30, 2005. Our earned premiums for the quarter ended September 30, 2006 were $2,187,221 compared to $2,226,448 for the third quarter ended September 30, 2005, a decrease of 1.8%. Net premiums written for the third quarter of 2006 were $2,184,154, compared to $2,021,827 for the same period of 2005, an increase of $162,327 or 8.02%. The increase in net premiums written was primarily attributable to a difference in the timing of premiums ceded to AmerInst in the third quarter of 2006 compared to the same period in 2005.

Our loss ratio for the third quarter of 2006 was 70.0%, compared to 70.1% for the same period of 2005. The loss ratio represents our management’s current estimate of the effective loss rate, selected in consultation with our independent consulting actuary. To determine total losses for the third quarter of 2006, we multiplied an estimated loss ratio of 70% times the sum of AICPA Professional Liability Insurance Plan and CAMICO net premiums earned. For the third quarter of 2005, to determine total losses we multiplied an estimated loss ratio of 70% times the AICPA Professional Liability Insurance Plan current premiums earned and have recorded additional reserves relating to the attorney’s professional liability plan. Our actual overall loss ratio for the year ended December 31, 2005 was 45.2%.

We expensed policy acquisition costs of $628,620 in the third quarter of 2006 compared to $632,262 for the same period of 2005, a decrease of $3,642 or 0.6%. These costs were 28.7% and 28.4% of net premiums earned for the quarters ended September 30, 2006 and 2005, respectively. Policy acquisition costs are the sum of ceding commissions paid to ceding companies, determined contractually pursuant to reinsurance agreements, and federal excise taxes paid on premiums written to ceding companies.

We incurred operating and management expenses of $454,930 in the third quarter of 2006 compared to $312,929 for the same period of 2005, an increase of $142,001 or 45.4%. The primary reason for this increase was patent and business development expenses.

We recorded net underwriting income (net premiums earned less the sum of loss and loss adjustment expenses and policy acquisition costs) of $27,546 for the third quarter of 2006 compared to net underwriting income of $33,361 for the same period of 2005, a decrease of $5,815. The decline in the net underwriting results in the third quarter of 2006 is primarily attributable to a slight decline in net premiums written.

We recorded net investment income of $334,998 in the third quarter of 2006 compared to $281,948 for the same period of 2005, an increase of $53,050, or 18.8%. The primary reason for the increase was an increase in the dividend income on the equity portfolio due to improvement of dividend payouts on certain holdings. In addition, the general increase in interest rates in 2006 also contributed to the increase. Annualized investment yield, calculated as net investment income divided by the net average amount of total investments, was 2.6% for the third quarter of 2006, an increase from the 2.3% yield earned in the third quarter of 2005. The improvement in investment yield was, as indicated above, due to a general increase in interest rates from 2005 to 2006. Sales of securities during the third quarter of 2006 resulted in realized losses on investments of $127,357, compared to gains of $287,127 in the third quarter of 2005. Losses recorded in the third quarter of 2006 primarily related to sales of equity securities. Proceeds of these sales were subsequently reinvested in other equity securities.

Nine months ended September 30, 2006 compared to nine months ended September 30, 2005:

We recorded net income of $172,244 for the nine months ended September 30, 2006 compared to $892,835 for the nine months ended September 30, 2005. The decrease is due to a decline in net premiums earned and in net realized gain (loss) on investments, and an increase in operating and management expenses, partially offset by an increase in net investment income.

Our net premiums earned for the first nine months of 2006 were $6,442,252 compared to $6,693,296 for 2005. The change of $251,044 represented a 3.8% decrease. Premiums written in the nine months ended September 30, 2006 were $6,237,206 compared to $6,444,651 for the same period in 2005.

Our loss ratio for the first nine months of 2006 was 72.9% compared to 70.4% for the same period of 2005. The loss ratio represents our management's current estimate of the effective loss rate, selected in consultation with our independent consulting actuary. To determine total losses for the first nine months of 2006 and 2005, we multiplied an estimated loss ratio of 70% times the AICPA Professional Liability Insurance Plan net premiums earned and have recorded additional reserves relating to the attorneys' professional liability plan in the nine month periods ended September 30, 2006 and 2005. Our actual overall loss ratio for the year ended December 31, 2005 was 45.2%.

We expensed policy acquisition costs of $1,918,539 in the first nine months of 2006 compared to $1,950,673 for the same period of 2005, a decrease of $32,134 or 1.6%. These costs were 29.8% and 29.1% of premiums earned for the nine-month periods ended September 30, 2006 and 2005, respectively. The decrease in policy acquisition costs in 2006 was due to the decrease in net premiums earned. Policy acquisition costs are the sum of ceding commissions paid to ceding companies, which are determined contractually pursuant to reinsurance agreements, and federal excise taxes paid on premiums written to ceding companies.

We recorded a net underwriting loss (net premiums earned less the sum of loss and loss adjustment expenses and policy acquisition costs) of $172,865 for the nine month period ended September 30, 2006 compared to net underwriting income of $30,168 for the same period in 2005, a decrease of $203,033. The decline of the underwriting results in 2006 was primarily due to a decrease in net premiums earned and an increase in net incurred losses as a result of recording additional reserves for the attorneys' professional liability plan.

We realized gains on investments of $837,845 during the nine months ended September 30, 2006 compared to $1,249,351 in capital gains in the same period of 2005. Gains recorded in 2006 primarily related to sales of equity securities. Proceeds of these sales were reinvested in other equity securities. Net investment income through September 30, 2006 was $984,023 compared to $820,000 for the same period of 2005. Investment yield for the nine months ended September 30, 2006 was approximately 3.9% as compared to 3.2% for the first nine months of 2005. The improvement in investment yield was, as indicated above, due to a general increase in interest rates from 2005 to 2006.

FINANCIAL CONDITION AND LIQUIDITY

As of September 30, 2006, our total investments were $49,820,871, an increase of $3,568,850, or 7.7%, from $46,252,021 at December 31, 2005. The increase was primarily due to the purchase of fixed income securities from available cash and cash equivalents. As a result of these purchases, cash and cash equivalents and restricted cash and cash equivalents balances decreased from $3,447,361 at December 31, 2005 to $1,797,707 at September 30, 2006, a decrease of $1,649,654, or 47.9%. The amount of cash and cash equivalents varies depending on the maturities of fixed term investments and on the level of funds invested in money market mutual funds. The ratio of cash and total investments to total liabilities at September 30, 2006 was 1.47:1, compared to a ratio of 1.50:1 at December 31, 2005.

Assumed reinsurance balances receivable/payable are the aggregate of current assumed premiums receivable less commissions and losses payable to the issuing carriers. This balance was a receivable of $710,534 at December 31, 2005 and $722,439 at September 30, 2006. This balance fluctuates due to the timing of renewal premiums written.

The Bermuda Monetary Authority has authorized AmerInst Investment Company, Ltd. to purchase up to 20% of the Company's common shares from individuals who have died or retired from the practice of public accounting and on a negotiated case-by-case basis. Through November 1, 2006, AmerInst Investment Company, Ltd. had purchased in negotiated transactions at various prices 57,780 common shares, as adjusted for the share dividend, for a total purchase price of $664,891. In addition, through that date, AmerInst Investment Company, Ltd. had purchased 74,055 common shares, as adjusted for the share dividend, from individuals who had died or retired, for a total purchase price of $1,383,509. See "Rights Offering" below for a description of the sale of shares by AmerInst Investment Company, Ltd. in connection with the rights offering.

We paid our semi-annual dividend of $0.45 per share during the third quarter of 2006. The board of directors currently expects that the next semi-annual dividend of $0.45 per share will occur during the first quarter of 2007. Since AmerInst began paying dividends in 1995, our original shareholders have received approximately $13.48 in cumulative dividends per share, which when measured by a total rate of return calculation has resulted in an effective annual rate of return of approximately 10.32% from the inception of the Company, based on a per share purchase price of $8.33 paid by the original shareholders, and using an unaudited book value of $28.39 per share as of September 30, 2006. (All per share amounts in this paragraph have been adjusted retroactively to reflect the impact of the share dividend.)

Share Dividend

On March 2, 2006, the board of directors of AmerInst approved a share dividend of two shares of common stock for every share held by shareholders of record on April 2, 2006, subject to shareholder approval of an increase in the number of our authorized shares. Such approval was received at the AmerInst 2006 Annual General Meeting on June 1, 2006, which increased the authorized share capital of the Company from $500,000 to $2,000,000. The total issued shares were 331,751 prior to the share dividend and 995,253 afterwards.

Rights Offering

We filed a registration statement on Form S-3 with the SEC on June 15, 2006 to register a rights offering to existing shareholders. The registration statement was amended on July 20, 2006 and declared effective July 24, 2006. Pursuant to the rights offering, which was mailed to shareholders on July 28, 2006, each shareholder received a right to purchase one of our common shares for each share currently owned, at a price of $23.33 per share (after giving effect to the share dividend). Further information concerning the rights offering is contained in our prospectus dated July 28, 2006 and in our S-3 registration statement on file with the SEC. A total of 97,927 rights were exercised prior to October 4, 2006, the expiration date of the oversubscription right under the rights offering. As a result 97,927 shares were subsequently sold by AmerInst Investment Company, Ltd. to shareholders exercising rights, for a total purchase price of $2,284,637, before rights offering costs of approximately $250,000. Of these shares, 21,461 rights were exercised by AmerInst directors for a total purchase price of $500,685.

Critical Accounting Policies

Liability for Loss and Loss Adjustment Expense Reserves

The Company's critical accounting policies are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2005.

Forward-Looking Statements

Certain statements contained in this Form 10-Q, or otherwise made by our officers, including statements related to our future performance and our outlook for our businesses and respective markets, projections, statements of our management's plans or objectives, forecasts of market trends and other matters, are forward-looking statements, and contain information relating to us that is based on the beliefs of our management as well as assumptions made by, and information currently available to, our management. The words "goal," "anticipate," "expect," "believe" and similar expressions as they relate to us or our management are intended to identify forward-looking statements. No assurance can be given that the results in any forward-looking statement will be achieved. For the forward-looking statements, we claim the protection of the safe harbor for forward-looking statements provided for in the Private Securities Litigation Reform Act of 1995. Such statements reflect our management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those reflected in any forward-looking statements. Factors that might cause such actual results to differ materially from those reflected in any forward-looking statements include, but are not limited to (i) the occurrence of catastrophic events with a frequency or severity exceeding the Company's expectations; (ii) a decrease in the level of demand for reinsurance or an increase in the supply of reinsurance capacity; (iii) increased competitive pressures, including the consolidation and increased globalization of reinsurance providers; (iv) actual losses and loss expenses exceeding the Company's loss reserves, which are necessarily based on the actuarial and statistical projections of ultimate losses; (v) changing rates of inflation and other economic conditions; (vi) changes in the legal or regulatory environments in which we operate; and (vii) other risks, including those risks identified in any of our other filings with the Securities and Exchange Commission. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our management's analysis only as of the date they are made. We undertake no obligation to release publicly the results of any future revisions we may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Available Information

AmerInst's internet website address is www.amerinst.bm. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Inflation

We do not believe our operations have been materially affected by inflation. The potential adverse impacts of inflation include: (a) a decline in the market value of our fixed term investment portfolio; (b) an increase in the ultimate cost of settling claims which remain unresolved for a significant period of time; and (c) an increase in our operating expenses. However, we generally hold our fixed term investments to maturity and currently believe that the yield is adequate to compensate us for the risk of inflation. In addition, we expect that any increase from inflation in the ultimate cost of settling unpaid claims will be offset by investment income earned during the period when the claim is outstanding. Finally, the increase in operating expenses resulting from inflation should generally be matched by similar inflationary increases in our premium rates.

Market Sensitive Instruments

Market risk generally represents the risk of loss that may result from potential changes in the value of a financial instrument due to a variety of market conditions. Our exposure to market risk is generally limited to potential losses arising from changes in the level of interest rates on market values of fixed term holdings and changes in the market values of equity securities. We do not hold or issue derivative financial instruments for either trading or hedging purposes.

(a) Interest Rate Risk.

Interest rate risk results from our holdings in interest-rate-sensitive instruments. We are exposed to potential losses on fixed rate instruments that we hold arising from changes in the level of interest rates. We are also exposed to credit spread risk resulting from possible changes in the issuer's credit rating. To manage our exposure to interest rate risk we attempt to select investments with characteristics that match the characteristics of our related insurance liabilities. Additionally, we generally only invest in higher-grade interest bearing instruments.

(b) Foreign Exchange Risk.

We only invest in U.S. dollar denominated financial instruments and do not have any exposure to foreign exchange risk.

(c) Equity Price Risk

Equity price risk arises from fluctuations in the value of securities held. We invest in equity securities in order to diversify our investment portfolio, which our management believes will assist us in achieving our goal of long-term growth of capital and surplus. Our management has adopted investment guidelines that set out rate of return and asset allocation targets, as well as degree of risk and equity investment restrictions to minimize exposure to material risk from changes in equity prices.

The table below provides information about our investments available for sale that were sensitive to changes in interest rates at September 30, 2006 and December 31, 2005 respectively.

	Estimated Fair Value 09/30/2006	Estimated Fair Value 12/31/2005
Fixed Income Portfolio		
Due in one year or less	$ 4,918,112	$ 5,363,167
Due after one year through five years	7,905,055	10,637,662
Due after five years through ten years	3,222,805	979,538
Due after ten years	1,498,616	425,004
Sub-total	$17,544,588	$17,405,371
Mortgage backed securities	$ 8,320,292	$ 6,828,845
Total	$25,864,880	$24,234,216

See Item 7A of our 2005 Annual Report on Form 10-K for additional discussion of market risk.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. There has been no change in our internal control over financial reporting identified in that evaluation that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not a party to any material legal proceedings.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2005 Annual Report on Form 10-K.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchase of Equity Securities

(a) – (b) None

(c) From time to time, the Company has repurchased shares of its common stock from individual shareholders who have died or retired from the practice of accounting. Through November 1, 2006, the Company had repurchased 74,055 common shares, as adjusted for the share dividend, pursuant to such program.

The following table shows information relating to the purchase of shares from shareholders who have died or retired from the practice of accounting as described above during the three month period ended September 30, 2006:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program
July 2006	2,631	$ 28.08	2,631	N/A
August 2006	—	—	—	N/A
September 2006	—	—	—	N/A
Total	2,631	$ 28.08	2,631	N/A

From time to time, AmerInst Investment Company, Ltd. has also purchased common shares in privately negotiated transactions. Through November 1, 2006, AmerInst Investment Company, Ltd. had purchased 57,780 common shares, as adjusted for the share dividend, in such privately negotiated transactions. No purchases were made during the three month period ended September 30, 2006.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 6. Exhibits

(a) Exhibits

See Index to Exhibits immediately following the signature page.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 14, 2006

AMERINST INSURANCE GROUP, LTD.
(Registrant)

By: /s/ STUART H. GRAYSTON
Stuart H. Grayston
(President and chief executive officer, duly authorized to sign this Report in such capacity and on behalf of the Registrant)

And

By: /s/ MURRAY NICOL
Murray Nicol
(Vice President and chief financial officer, duly authorized to sign this Report in such capacity and on behalf of the Registrant)

AMERINST INSURANCE GROUP, LTD.

INDEX TO EXHIBITS

Filed with the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2006

Exhibit Number	Description
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Stuart Grayston pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Murray Nicol pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stuart Grayston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AmerInst Insurance Group, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2006

/s/ STUART GRAYSTON
Stuart Grayston
President and chief executive officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Murray Nicol, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AmerInst Insurance Group, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
   - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2006

/s/ MURRAY NICOL
Murray Nicol
Vice President and chief financial officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AmerInst Insurance Group, Ltd. (the "Company") on Form 10-Q for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart Grayston, President and chief executive officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STUART GRAYSTON
Stuart Grayston
President and chief executive officer
November 14, 2006

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AmerInst Insurance Group, Ltd. (the "Company") on Form 10-Q for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Murray Nicol, Vice President and chief financial officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MURRAY NICOL
Murray Nicol
Vice President and chief financial officer
November 14, 2006