

SMARTER
CHOICES

24th Annual Report

AmerInst
INSURANCE
GROUP, LTD.



AmerInst Insurance Group, Ltd.

Continental Building
25 Church Street
P.O. Box HM 1601
Hamilton HM GX, Bermuda



*Protection
for
Generations of
Professional
Firms*



Corporate Profile

AmerInst Insurance Group, Ltd. ("AmerInst" or "the Company") is a Bermuda corporation organized in July 1998. AmerInst is an insurance holding company with four principal subsidiaries: AmerInst Insurance Company, Ltd., AmerInst Investment Company, Ltd., AmerInst Professional Services, Limited and AmerInst Mezco, Ltd. AmerInst Insurance Company, Ltd. reinsures professional liability insurance policies. Most of the shareholders of AmerInst are CPAs or with CPA firms. AmerInst is a company that provides insurance for professional services firms.

Directors

Irvin F. Diamond
CPA
Senior Principal
REDW Business & Financial Resources, LLC

Jeffrey I. Gillman
CPA
President
Gillman & Shapiro, P.A.

Stuart H. Grayston
Retired Insurance Executive

Jerome A. Harris
CPA
Managing Partner
Harris Consulting Group, LLC

David R. Klunk
CPA
Partner
Reinsel Kuntz Leshner LLP

Thomas B. Lillie
CPA
Director
Lewis and Knopf

David N. Thompson
Inactive CPA
Chief Executive Officer
E-Insure Services, Inc.

Officers

Chairman
Irvin F. Diamond

Vice Chairman
Jerome A. Harris

President
Stuart H. Grayston

Treasurer & Chief Financial Officer
Thomas R. McMahon

Secretary
Cilma Lamb

Assistant Secretary
Waterstreet Corporate Services Ltd.

Assistant Secretary
David N. Thompson

Chairman Emeritus
Ronald S. Katch

Corporate Information

AmerInst Insurance Group, Ltd.
Continental Building
25 Church Street
P.O. Box HM 1601
Hamilton HM GX, Bermuda

Legal Counsel

Appleby
Canon's Court
22 Victoria Street
P.O. Box HM 1179
Hamilton HM EX, Bermuda

Gunster, Yoakley & Stewart, P.A.
777 S. Flagler Drive, Suite 500E
West Palm Beach, FL 33401

Bates Carey Nicolaidis LLP
191 North Wacker Drive, Suite 2400
Chicago, IL 60606

Transfer Agent and Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08, Bermuda

Independent Auditors

Deloitte & Touche Ltd.
Corner House
Church & Parliament Streets
P.O. Box HM 1556
Hamilton HM FX, Bermuda

Annual Report on Form 10-K

Copies of the AmerInst Insurance Group, Ltd. 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission are available without charge to stockholders upon written request to:

AmerInst Insurance Group, Ltd.
c/o Cedar Management Limited
P.O. Box HM 1601
Hamilton HM GX, Bermuda

The Form 10-K is included within this 2011 Annual Report and is also available on the Securities and Exchange Commission's Internet site at <http://www.sec.gov> and on the AmerInst Internet site at <http://www.amerinst.bm>.

Investor Information

Shareholder inquiries, requests for transfer, name changes and redemption of shares due to death, retirement or disability should be referred to our Shareholder Services Division:

AmerInst Insurance Group, Ltd.
c/o Cedar Management Limited
P.O. Box HM 1601
Hamilton HM GX, Bermuda

Shareholder Communications: (800) 422-8141
Fax: (441) 295-1702
E-mail: amerinst@cedar.bm
Web: <http://www.amerinst.bm>

Annual Meeting

The 2012 Annual Meeting of Shareholders will be held at 10:00 a.m. on Thursday, May 31, 2012 at:

*Newstead Belmont Hills
27 Harbour Road
Paget, Bermuda*

Shareholders are encouraged to attend.

CHAIRMAN'S REPORT



My fellow shareholders...

We are pleased to share our results with you and discuss some of the major factors that influenced our performance over the past year. As market volatility and economic challenges continue, many insurers are experiencing a more difficult climate to manage their businesses and raise capital. Believing that uncertainty can also create opportunities, we brought our professional liability insurance program for small law firms and solo practitioners online in January 2011. Results are progressing in line with revised forecasts and we are encouraged by the response.

As shareholders, you have been supportive of our efforts by recommending our products. We continue to focus on fulfilling our vision of professional liability insurance with affordable protection that is designed for small business. The advent of virtual technology, combined with our state of the art web-based program, is enabling accountants and lawyers to purchase insurance online and to manage their accounts from any location they choose. This enables us to achieve our goal: to engage customers, deliver what they want and need, and help them to make better business decisions.

PURSUING OPPORTUNITY

In its second year of operation, our wholly-owned subsidiary, AmerInst Professional Services, Limited (APSL), reached a turning point. In the 4th quarter of 2011, we wrote total premium of \$601,186 compared to \$154,860 in 2010. In that same period, the premium for accountants' professional liability insurance increased 218% year over year, with an impressive 90% renewal rate.

Under our existing agency agreement, APSL acts as the exclusive agent for Crum & Forster Insurance Group (C&F) to solicit, underwrite, quote, bind, issue, cancel, non-renew and endorse accountants' and lawyers' professional liability insurance coverage within the 50 United States and the District of Columbia. Well-regarded for its financial strength, C&F is rated "A" (Excellent) by A. M. Best Co. The company is a provider of unique specialty insurance offerings and has been writing professional liability coverage for over 25 years.

Clearly, the professional liability insurance market is volatile and subject to unpredictable underwriting results. With a new business plan still in its formative years, it is difficult for us to predict the amount of revenue that will be generated under our existing agency agreement. Furthermore, our investment results are dependent on factors such as interest rates that cannot be controlled; and current market conditions and instability in global credit markets present additional risks which can adversely affect our financial condition. In spite of these concerns, we remain optimistic that our consistent approach and long-term track record will sustain our growth in the years ahead.

LEVERAGING OUR KNOWLEDGE AND EXPERIENCE

Our Company was created by CPAs for CPAs and was a reinsurer of the AICPA plan for two decades. We have leveraged our knowledge, expertise and relationships to accelerate our expansion into the professional liability insurance market. Our

accountants program is designed for sole practitioners and small firms. Focusing on price and protection, we have eliminated the cause of expensive malpractice suits by excluding large firms and those that perform public audits from our pool of insureds. Many of those companies tend to have high risk and greater claims severity.

90%

**Our renewal rate
for policyholders
from 2010 – 2011**

\$601,186

Total premium written in 4th quarter 2011

We recently launched a new Web 2.0 home page design for accountants. It streamlines the navigation process and provides quicker access to indications and quote information. Eliminating many of the manual steps that most professional liability insurance companies still employ allows us to pass greater cost savings on to our policyholders.

01.01.11

**Date that we began writing
lawyers' professional liability insurance**

Obtaining comprehensive coverage online is easy, fast, secure and paperless. Policyholders can experience electronic signature processing, pay premiums online and receive email verification - on their terms, whether they are in their office, traveling or in the privacy of their homes.

PROTECTION FOR SMALL LAW FIRMS

Through the years, we have become well versed in the complexities of the accounting profession. It seemed a logical extension to expand our program to solo and small law firms so that they could protect their assets with quality insurance coverage - at competitive rates they can afford. Our claims-made professional liability policy has limit and deductible options (and a host of features and benefits) tailored to their needs.

50

Nationwide presence: licensed for accountants' and lawyers' professional liability coverage in 50 states and the District of Columbia

A streamlined Web-based process includes online access to policy information, as well as superior claims, loss control and risk management services. For those who prefer a more personal touch, in-house licensed professional liability specialists are available to answer questions about what to expect when purchasing a policy, what is included in the program, limits of liability, exclusions or simply, how to manage an online account.

For more information about the smarter choices that are available or to renew a current policy, visit www.protexureaccountants.com or www.protexurelawyers.com.

A COMMITMENT TO SHAREHOLDERS

Financial strength and stability is essential for any insurance organization. We continue to reiterate the importance of our "A-" (Excellent) rating from A. M. Best Co. because that represents a vote of confidence in a company's ability to meet its obligations to policyholders and shareholders. Our rating was reaffirmed by A. M. Best in 2011, with an outlook that is stable. This reflects the Company's strong capitalization and experienced management team, as well as its niche expertise as a reinsurer of professional liability policies.

218%

**Increase in
accountants' premium
written year over year**

We also take pride in our record of paying consecutive dividends since 1995. The Company paid two semi-annual dividends in March and September 2011 of \$0.47 per share. However, some belt tightening forced us to lower our dividend in March 2012 to \$0.25 per share. This will allow us to maintain our A. M. Best Co. rating, continue to fund our new start-up operation and conserve surplus needed for the Company's reinsurance activities.

As APSL moves into its third year of operation, we extend our thanks to those who have contributed to our progress. Thank you to our shareholders and employees for your commitment and support.

We value the trust that you place in us and look forward to serving your professional liability needs in the years to come.

Sincerely,



Irvin F. Diamond, CPA/PFS, CFP®
Chairman

RESULTS FOR THE YEAR

We recorded a net loss of \$1,069,160 and \$1,101,793 in 2011 and 2010, respectively. The net loss recorded for the year ended December 31, 2011 was largely attributable to operating and management expenses incurred by APSL, which were partially offset by net realized gains on investments and the recognition of the additional recoveries associated with the Arbitration. The net loss recorded during the year ended December 31, 2010 was largely attributable to operating and management expenses incurred by APSL, which were partially offset by net realized gains on investments.

Our net premiums earned were \$412,840 for the year ended December 31, 2011 compared to \$157,140 for the year ended December 31, 2010, an increase of \$255,700 or 162.7%. The net premiums earned during 2011 and 2010 were attributable to net premium cessions from C&F under the Reinsurance Agreement in the amounts of \$423,364 and \$42,990 and to revisions to CAMICO premium estimates for prior years in the amounts of \$(10,524) and \$114,150, respectively. The increase in net premiums earned under the Reinsurance Agreement resulted from increased cessions from C&F in 2011, as a result of a higher level of underwriting activity under the Agency Agreement resulting from the continued and successful marketing of the program by APSL.

For the years ended December 31, 2011 and 2010, we recorded commission income under the Agency Agreement of \$388,488 and \$85,051, respectively, an increase of \$303,437 or 356.8%. This increase resulted from a higher volume of premiums written under the Agency Agreement in 2011.

We recorded net investment income of \$409,434 for the year ended December 31, 2011 compared to \$405,210 for the year ended December 30, 2010, an increase of \$4,224 or 1.0%. The increase is primarily attributable to the decrease in investment managers' fees that resulted from the reduction in the investment portfolio and a decrease in the amortization of premium on fixed income securities in 2011 as a result of (1) the purchase of securities with lower coupon rates and premiums and (2) the maturity of older securities with higher coupon rates and premiums. Annualized investment yield, calculated as total interest and dividends divided by the net average amount of total investments and cash and cash equivalents, was 1.6% in 2011, a marginal increase from the 1.4% yield earned in 2010.

As of December 31, 2011, our total investments were \$22,745,550, a decrease of \$3,813,939, or 14.4%, from \$26,559,489 at December 31, 2010. The decrease was primarily due to sales of certain equity securities, the maturity of two fixed maturity securities and the decrease in the fair value of certain equity securities as a result of adverse market conditions. The

cash and cash equivalents balance decreased from \$970,697 at December 31, 2010 to \$904,485 at December 31, 2011, a decrease of \$66,212 or 6.8%. 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 funds. The restricted cash and cash equivalents balance increased from \$84,256 at December 31, 2010 to \$435,924 at December 31, 2011, an increase of \$351,668 or 417.4%. The increase is due to the timing of sales and maturities of investments held as restricted cash at December 31, 2011 that have not yet been reinvested.

For the year ended December 31, 2011, we recorded loss and loss adjustment recoveries of \$153,028 as a result of the recognition of the additional recoveries awarded to the Company following the Arbitration in the amount of \$315,299, net of loss and loss adjustment expenses that resulted from reserves of \$328,580 established pursuant to the Reinsurance Agreement offset by favorable development on CAMICO and PDIC. For the year ended December 31, 2010, we recorded loss and loss adjustment expenses of \$26,869 that resulted from reserves of \$32,000 established pursuant to the Reinsurance Agreement offset by favorable development on CAMICO and PDIC.

We recorded policy acquisition costs of \$156,599 for the year ended December 31, 2011 compared to policy acquisition recoveries of \$12,209 for the year ended December 31, 2010. Policy acquisition costs, which are primarily ceding commissions paid to the ceding insurer, are established as a percentage of premiums written; therefore, any increase or decrease in premiums written will result in a similar increase or decrease in policy acquisition costs. The policy acquisition costs recorded for the year ended December 31, 2011 were 37.3% of the premiums earned under the Reinsurance Agreement of \$423,364, net of policy acquisition recoveries in the amount of \$1,192 that were attributable to the revisions to the CAMICO premium estimates for prior years as noted above. The policy acquisition recoveries recorded during the year ended December 31, 2010 were attributable to recoveries in the amount of \$28,116 in relation to the revisions to the CAMICO premium estimates for prior years, net of policy acquisition costs representing 37.0% of the premiums earned under the Reinsurance Agreement of \$42,990.

The Company expensed operating and management expenses of \$4,056,243 and \$4,091,078 during 2011 and 2010, respectively. The decline is largely attributable to a reduction in professional and marketing expenses incurred by APSL during the year compared to 2010 as a result of APSL bringing in-house most of its marketing and promotional work and reducing its reliance on third party contractors and service providers.

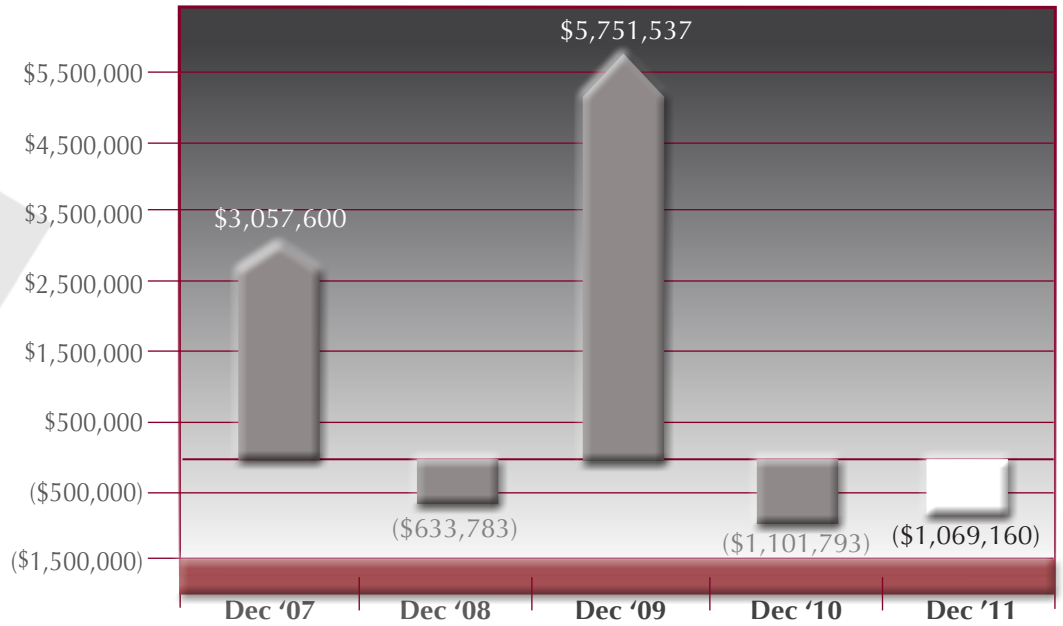
The book value per share of the Company's outstanding shares at December 31 was \$33.23 per share in 2011 and \$37.46 per share in 2010. The Company paid dividends during 2011 of \$615,993 consisting of semi-annual dividends paid in March and October of \$.47 per share. On March 2, 2012, the Board of Directors declared a semi-annual dividend of \$.25 per share to be paid on or before March 30, 2012 to shareholders of record on February 29, 2012.

This Chairman's Letter contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "target," "goal," and similar expressions are intended to identify forward-looking statements, as well as specific statements regarding (i) our ability to continue meeting our obligations to policyholders and shareholders, (ii) the progress and high percentage of policy renewals with our accountants' and lawyers' professional liability programs, (iii) our ability to maintain our A.M. Best Co. rating at or above its current level, and (iv) our ability to declare and pay dividends to our shareholders in the future. Some or all of the events or results anticipated by these forward-looking statements may not occur. Factors that could cause actual results to differ materially include difficult economic conditions and unexpected changes in insurance laws and regulations. Additional risk factors related to Amerinst and an investment in our common stock are contained in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended December 31, 2011. Amerinst does not undertake any duty nor does it intend to update the results of these forward-looking statements.

BOOK
VALUE
PER
SHARE



NET
INCOME
(LOSS)



STOCK-
HOLDER'S
EQUITY

