

June 15, 2005

Dear Shareholder:

The Board of AmerInst Insurance Group, Ltd. ("AMIG Ltd." or the "Company") has declared the Company's fortieth consecutive dividend of \$0.65 per share payable on June 15, 2005 to shareholders of record on June 1, 2005. Our directors have approved the payment of dividends semi-annually in the future with payments to be made September 15<sup>th</sup> and March 15<sup>th</sup> of each year.

The Annual General Meeting of the Company's shareholders was held on June 2, 2005 in Bermuda:

- Jeffrey I. Gillman, Irvin F. Diamond, Jerrell A. Atkinson, and John T. Schiffman were re-elected as directors of the Company, receiving the support of 94% of those who voted on this issue.
- The shareholders also re-appointed Deloitte & Touche as the Company's independent auditor, with the approval of 96% of those who voted on this issue.
- The shareholder proposal to maximize shareholder value by selling the Company was officially defeated 80% to 20%, including the shares owned by AmerInst Investment Company, Ltd. ("Investco"). Excluding those shares, the margin of defeat was 56% to 44% (compared to 51% to 49% for a similar motion at the 2004 Annual General Meeting). Based on the number of shareholders voting, 411 opposed the resolution to 225 in favor of it.
- The shareholder proposal to prohibit Investco from voting the shares of AmerInst it owns was officially defeated 72% to 28%, including the shares voted by Investco. Although Investco voted all of the 102,647 shares it owns, the Annual General Meeting would not have had the legally required quorum unless Investco voted at least 19,946 shares. If that minimum number of shares had been voted by Investco, the resolution would have failed by 55,207 to 53,667 votes. Excluding the Investco-owned shares, the resolution was favored 60% to 40%, but only 336 shareholders voted in favor and 316 voted in opposition.
- Although under Bermuda law this shareholder proposition failed to pass, AmerInst's Board intends to respect the preference of individual shareholders evidenced by that vote, subject to the overriding fiduciary duties of directors owed to the Company and to its shareholders. Whether organized under Bermuda law or Delaware law, the fiduciary duties of directors do not permit an absolute ban on Investco voting the AmerInst shares it owns. As mentioned previously, the 2005 Annual General Meeting would not have had a quorum unless Investco voted 19,946 shares. Amendment of certain AmerInst's by-laws requires a super-majority vote of 75% of the shares voted. Bermuda companies law requires super-majority votes for certain transactions such as amalgamations. Your Board is

obligated to vote Investco-owned shares to achieve a quorum at shareholders meetings; to be able to unconditionally amend the AmerInst By-laws; and to enter into transactions which under Bermuda law require a super-majority shareholder vote. Investco's future voting policy will balance these legal and practical requirements with the shareholders' currently expressed desire for Investco to not vote its AmerInst shares.

- Your Board of Directors will discuss the issue of voting its shares at its next Board meeting in September 2005.

Our net premiums earned for the first quarter of 2005 were \$2,164,916 compared to \$2,049,150 for the first quarter of 2004. We recorded losses and loss adjustment expenses for the first quarter of 2005 of \$1,515,441 compared to \$1,636,691 for the first quarter of 2004, which is due to a decrease of our loss ratio from 79.9% for the first quarter of 2004 to 70% for the first quarter of 2005. The loss ratio represents our management's current estimate of the effective loss rate selected in consultation with our independent consulting actuary.

We recorded net investment income of \$235,174 in the first quarter of 2005 compared to \$428,003 for the same period of 2004, a decrease of \$192,829 or 45%. A reason for the decrease was the sale of fixed income securities to fund the tender offer payments, decreasing the potential interest earnings. Annualized investment yield for the three months ended March 31, 2005 was approximately 1.8% as compared to 3.2% for the first three months of 2004. This is due to a general decrease in interest rates and the shortening of the average duration of the fixed income portfolio in order to reduce the risk of principal loss in the expected future environment of rising interest rates. We realized capital gains of \$425,409 during the three months ended March 31, 2005 compared to \$97,175 in capital gains in the same period of 2004.

Policy acquisition costs continued at the contractual rate. Other operating and management expenses increased from \$266,620 in the first quarter of 2004 to \$353,672 in the first quarter of 2005. The increase was primarily due to legal expenses attributable to the shareholder proposals incurred in the first quarter of 2005 compared to the same period of 2004.

We recorded a net income of \$317,736 for the first quarter of 2005 compared to a net income of \$76,245 for the same period of 2004. This improvement was primarily due to an increase in our net premiums earned and a decrease in our recorded losses. The book value per share at March 31, 2005 was \$72.92 compared to the audited book value of \$74.28 at December 31, 2004.

All quarterly data is available in our Form 10-Q for the three months ended March 31, 2005. We urge you to read the entire filing located at [http://www.Amerinst.bm/latest\\_sec\\_filings.asp](http://www.Amerinst.bm/latest_sec_filings.asp) or call our shareholder relations department at 1-800-422-8141 to order a copy by mail.

Periodically, the Company compares its performance relative to other reinsurance companies. According to a recent comparison, AmerInst's operating performance and balance sheet ratios were ranked in the top quartile. In addition to the past performance record, it is significant to compare the overall performance record of the Company. Those shareholders who originally invested \$25.00 per share in 1987 have received more than their original investment back in full (\$36.50 per share) and are continuing to benefit from the annual dividend payout and steady increases in the redemption value of their stock.

AmerInst plays a critical role in ensuring stability in the accountant's professional liability insurance market. We believe that the value inherent in being a public company, subject to the

highest regulatory standards and rigorous supervision by the SEC, far outweighs the increased costs associated with Sarbanes-Oxley compliance. AmerInst takes very seriously our obligation to future generations of CPAs, and has adopted a conservative investment philosophy to ensure that the company operates with a strong capital foundation and can continue to fulfill its role for years to come.

On July 19, 2002, the Bermuda Monetary Authority authorized blanket permission for AmerInst Investment Company to purchase common shares from individual shareholders who have died or retired from the practice of public accounting and on a negotiated, case-by-case basis without limit. Through May 2, 2005, we had purchased 18,255 common shares from individuals who had died or retired for a purchase price of \$877,467 and had purchased in negotiated transactions 18,433 common shares for a purchase price of \$609,503.

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 \$4,224,941, including tender offer expenses of \$267,401.

Shareholder inquiries, requests for change of mailing or e-mail address, transfer, name change, and redemption of shares due to death, retirement or disability should continue to be referred to our Shareholder Services Division: **AmerInst Insurance Group, Ltd. – Shareholder Services, P.O. Box 1330, Montpelier, VT 05601-1330, Tel: 1-800-422-8141/Fax: 802-229-6280, E-mail: AmerInst@vim.usarisk.com**

AmerInst needs your up-to-date e-mail address and contact information. Please go to the website at <http://www.Amerinst.bm> and click on **»Contact Us** to update your records. In 2005, we introduced a shareholder newsletter, "AmerInst Advisor", to keep you abreast of the latest company reports.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald S. Katch". The signature is written in a cursive style with a large initial "R".

Ronald S. Katch, CPA  
Chairman