



AmerInst Insurance Group, Ltd.

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May 2, 2006

Dear Shareholders,

As described in the Proxy Statement for this year's Annual General Meeting, the Board of Directors has authorized a share dividend of two shares for each one share outstanding. The Board has also authorized a rights offering to existing shareholders, to be completed after the share dividend is effective. The currently anticipated terms of the rights offering are as follows:

- The rights offering will be subject to shareholder approval of the proposed increase in the Company's authorized shares and completion of the share dividend.
- Each shareholder of record on April 2, 2006 of outstanding common shares of AmerInst will receive non-transferable rights to purchase one additional common share for each share currently owned.
- Shareholders will be entitled to exercise their rights in whole or in part.
- While a final per share exercise price has not yet been determined, we expect it to be based on the price paid in last year's tender offer, increased to reflect the net increase in book value of common shares since the tender offer. On a pre-share dividend basis, the offering price is expected to be about \$70 per share (or approximately \$23 per share after giving effect to the share dividend).
- If the rights offering is not fully subscribed initially, shareholders who have exercised their rights will have the opportunity, on a pro rata basis, to purchase the unsubscribed shares.
- The first shares sold pursuant to the rights will be those currently owned by the Company's indirect subsidiary, AmerInst Investment Company, Ltd. ("Investco"), which currently owns 106,652 shares. If the rights offering is fully subscribed, Investco would no longer own any shares of the Company. If more shares are subscribed for than are owned by Investco, those additional shares will be newly issued by the Company.

In addition to the exercise price, other important matters relating to the rights offering have not been finalized as of the date of this letter, including the date of the initial offering, the expiration date of the rights offering, and the procedures relating to the purchase of initially unsubscribed shares.

This letter is neither an offer to sell nor a solicitation of an offer to buy any of the securities described herein.

As part of the distribution of rights, AmerInst intends to file a registration statement on Form S-3 with the United States Securities and Exchange Commission for the purpose of registering the shares of common stock underlying the rights to purchase common shares. Once the registration statement has been declared effective, AmerInst will distribute to each shareholder a copy of the related prospectus. PLEASE BE ADVISED THAT THIS LETTER ONLY PROVIDES NOTICE OF THE RIGHTS OFFERING AND THAT THE RIGHTS OFFERING WILL BE MADE ONLY BY MEANS OF THE PROSPECTUS, ONCE THE REGISTRATION STATEMENT IS DECLARED EFFECTIVE BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. The Company has not yet determined when it will commence the rights offering but expects to file the registration statement during May 2006. The rights offering cannot be commenced unless and until the SEC has declared that registration statement to be effective.

Sincerely,

Ronald S. Katch
Chairman of the Board

This letter contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made herein. Those risks and uncertainties include, but are not limited to, risks relating to the potential instability or unprofitability of the market we participate in, our dependence on primary insurers, the potential lack of available reinsurance, changes in domestic or global economic conditions and changes in federal or state tax laws or the administration of such laws.