

What's ahead in the Accountants'

LIABILITY MARKET

AmerInst predicts that the professional liability insurance market will continue on its current path, namely:

- Due to their purchasing power and size, the multinational CPA firms will continue to self-insure large portions of their risk and manage the balance of their professional liability coverage through individually negotiated contracts on a firm-by-firm basis.
- The next 100 largest firms are experiencing rate increases, as higher

loss ratios occur at a level that is more than reasonably acceptable to the major insurance carriers. AmerInst sees continued hardening in this market segment and believes that higher deductibles and retainages will result for multi-office firms whose annual revenue exceeds \$25 million.

- For those local and regional firms below \$25 million in fees, losses appear to be both predictable and

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Report on the

TENDER OFFER

In appreciation of our shareholders' commitment over the years, the Board announced a tender offer on December 17, 2004, to give those who wished to sell their stake in AmerInst an opportunity to redeem their shares. The tender offer was extended until January 21, 2005, at which time, AmerInst accepted an aggregate of 65,959 shares at \$60.00 per share for purchase, for a total purchase price of \$3,957,540.

After the completion of the tender offer, our shareholder base will consist, in excess, of 2,000 CPAs and CPA firms across the country.

If you are still interested in buying or selling shares, AmerInst maintains a passive trading system for interested parties to find prospective trading partners. For detailed information on the Stockholder Buy-Sell Trading System, go to our web site at www.amerinst.bm and click on "Buy/Sell Agreement." To add your name to either the "Sellers List" or "Buyers List," please contact:

AmerInst Stockholder Relations
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AmerInst@vim.usarisk.com
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The Company will continue to redeem shares upon shareholder death or retirement. For the next five years, that per share redemption price will be set at the greater of \$60.00 per share or the book value of a share on the preceding December 31st.

Dear

SHAREHOLDER:

We are pleased to bring you the inaugural issue of "AmerInst Advisor," a newsletter designed to keep you informed about our company's activities and plans.

AmerInst's primary mission is to help stabilize the CPA professional liability insurance market by providing reinsurance protection for CPAs, while maximizing the investment made by shareholders. The Board has adopted a conservative investment philosophy and maintains a strong capital base in order to ensure that we can fulfill this important role for future generations of CPAs.

To maximize your investment, we have made efforts to control costs, operate in a tax-advantaged domicile and have begun to develop new products that further diversify our reinsurance business. Our efforts have paid off: shareholders who originally invested \$25.00 per share in 1987 have received more than their original investment back in full (\$35.20 per share) and are continuing to benefit from the annual dividend payout and steady increases in the redemption value of their stock.

Read on to see other innovative ways we are achieving AmerInst's business objectives and working to maximize the value of your investment.

We are always looking for ways to improve communication to our shareholders. If you have questions or comments on any of our activities, please contact us at AmerInst@vim.usarisk.com. Further, if you have not done so already, we ask that you update your contact information by visiting <http://www.Amerinst.bm> and clicking on "Contact Us" to update your records.

Thank you for your continued support.

Yours sincerely,



Ronald S. Katch, CPA
Chairman

“...I believe AmerInst is committed to working towards stabilizing the CPA professional liability insurance market ...”

LIABILITY MARKET

(continued from page 1)
 reasonable. As a result, these firms can expect stable premiums (subject to normal increases) and deductibles. Unless the problems that are currently affecting the middle tier firms begin to cascade downward, insurers will most likely continue to provide coverage at current prices with adjustments for inflation. If future insurance market conditions ever require it, AmerInst stands ready to become a direct insurer for accountants' professional liability coverage up to \$1,000,000 per insured, for our shareholders and, subject to capital requirements, for the other 24,000 CPA firms which we currently provide financial protection through reinsurance. At this time, AmerInst has decided to limit its reinsurance coverage to local and regional firms with less than 250 employees.



At its November meeting, the AmerInst Board, among other matters, reviewed preliminary actuarial reports, met with a representative of CNA and discussed a community relations program (see opposite). From left, bottom row: Jerry Harris, Jeff Gillman, Jerry Atkinson, David Thompson, John Schiffman. Top row: Stuart Grayston, Ron Katch, Irv Diamond.

The Value of AmerInst

“IN THEIR OWN WORDS”-

“I have been a shareholder in AmerInst since its beginning. I originally decided to invest in AmerInst to provide sole practitioners like myself with the opportunity to obtain CPA malpractice coverage at an affordable price, at a time when the AICPA's professional liability insurance plan came close to collapsing. I have remained a shareholder for almost 20 years out of principle – I believe it is imperative to have a safety valve for the professional liability market and a company that is committed to providing reinsurance protection as its foremost business objective. As an investment, I have been pleased with how the AmerInst shares have performed over the last 20 years and the dividend level I have received annually. I am an active investor and have taken the time to assess the strategy and direction of AmerInst over the years. I believe AmerInst is committed to working towards stabilizing the CPA professional liability insurance market, and I agree with the tactics the Board is putting in place to achieve this goal.”

Mr. E. Christopher Palmer, CPA/PFS, chose to work as a sole practitioner in Weston, MA, after retiring as partner from Peat, Marwick, Mitchell & Co. He offers consulting services to high net worth individuals and families. He has served as a Director of two public companies, including terms as Chairman of their respective Audit Committees. In the early 1980s, Mr. Palmer helped to create the AICPA “Personal Financial Statement Guide”, and he served a term as a member of the Executive Committee of the AICPA Personal Financial Planning Division.



AmerInst

GIVES BACK

At the December meeting of the Board of Directors, AmerInst established a Community Relations Program in order to “give back” to the profession and ensure that we are doing our best to help the profession meet its future goals.

The first recipient of the AmerInst Community Relations program was the AICPA Foundation's scholarship program. As CPAs, we have all benefited from the AICPA Foundation's work as the aggregate knowledge base and experiences of our accounting graduates continues to improve.

The AICPA Foundation was established in 1922 to advance the science of accountancy, improve accounting education and encourage diversity within the profession. Its scholarship programs assist undergraduate and graduate accounting students with funds to further their education. “We thank AmerInst Insurance Group for their generous support of the AICPA Foundation's mission,” said Jay Rothberg, the AICPA's vice president - office of the CEO.

If you would like to learn more about this worthy cause, please visit: www.aicpa.org/members/aicpafoundation.htm

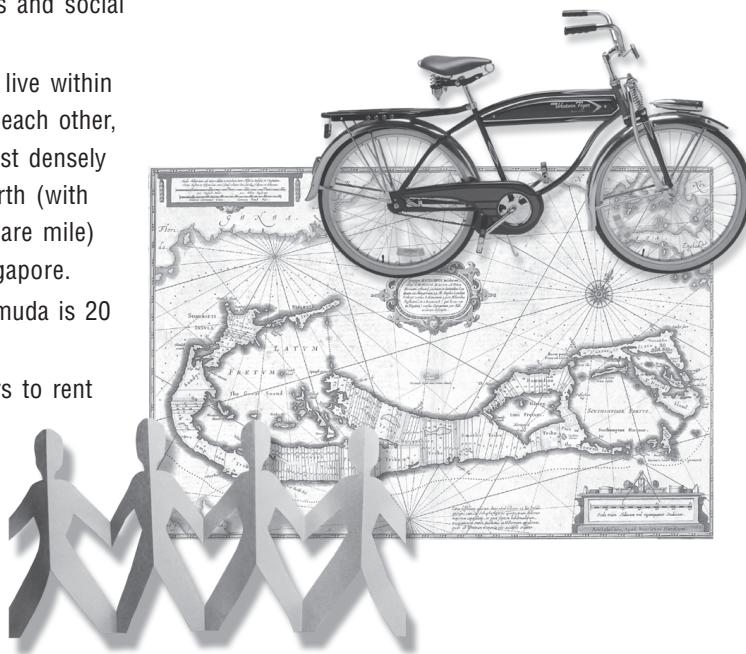
KNOW?

- AmerInst made its 39th consecutive dividend payment at the end of 2004.
- At December 31, 2004, the Company had total assets of approximately \$52 million.
- AmerInst holds a Best's rating of A-. When compared to other reinsurance companies, our operating performance and balance sheet ratios are ranked in the top quartile.
- The AICPA sponsored insurance program directly insures approximately 24,000 CPA firms. It's the largest insurance plan available to CPA firms.
- AmerInst was originally founded as an Illinois Corporation but changed its domicile to Bermuda in 1999.
- During the mid 1980s, the cost of CPA malpractice coverage tripled for some firms. As a result, some CPA firms elected not to carry malpractice insurance.

*On a lighter note,
here are some fun facts
about our headquarters,*

BERMUDA:

- It's true – Bermudans wear Bermuda shorts with jackets, ties and knee socks in both business and social settings.
- All 64,500 Bermudans live within 20.75 square miles of each other, making it the third most densely populated place on earth (with 3,372 persons per square mile) after Monaco and Singapore.
- The speed limit in Bermuda is 20 miles per hour.
- It's illegal for foreigners to rent a car, so they must rely on taxis, ferries, scooters and bikes to get to their destination.



THE BERMUDA REINSURANCE INDUSTRY

When people hear the word "Bermuda," most think about sun-soaked holiday vacations. While Bermuda does have more golf courses per capita than any other country in the world, it's also the leading domicile of captive insurance companies, a major provider of insurance products to global industrial and financial companies and one of the top reinsurance markets in the world.

Bermuda is home to a large number of well-known insurance firms as well as many prominent global insurance and reinsurance subsidiaries, including subsidiaries of AIG, Swiss Re, Zurich, Hanover Re, Hartford and Chubb. All the major insurance brokers, including Aon and Marsh, maintain offices on the island.

AmerInst redomesticated to Bermuda in 1999, where we have access to specialist reinsurance resources and services while still being protected by the strict oversight of the U.S. Securities and Exchange Commission. Being headquartered in Bermuda also provides the company significant tax savings that we pass on to you, our shareholders, in the form of net after tax yield.

If you would like to learn more about the Bermuda insurance and reinsurance markets, go to www.bermuda-insurance.org.

*How to
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HATS OFF TO YOU!

Did you enjoy reading AmerInst's inaugural newsletter? Enter our contest to win your own AmerInst golf hat!

Email us at AmerInst@vim.usarisk.com with the answers to the following questions:

1. What is AmerInst's website address?
2. What are the names of three AmerInst board members?
3. Where is AmerInst headquartered?

Be sure to put "Newsletter Competition" in the subject heading of your email. And, if you wish, please feel free to give us feedback on this newsletter.

If you are among the first 20 people to answer the questions correctly, we will send you an AmerInst golf hat!

Winners will be announced in the next issue of AmerInst Advisor. Good luck!



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