
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, 2010.

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 Cedar Management Limited
25 Church Street, Continental Building
P.O. Box HM 1601, Hamilton, Bermuda
(Address of Principal Executive Offices)

HMGX
(Zip Code)

(441) 296-3973
(Telephone number)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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, 2010, the Registrant had 995,253 common shares, \$1.00 par value per share, outstanding.

Introductory Note

Caution Concerning Forward-Looking Statements

Certain statements contained in this Form 10-Q, or otherwise made by our officers, including statements related to our future performance, 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" within the meaning of the Private Securities Litigation Reform Act of 1995, 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 "expect," "believe," "may" and similar expressions as they relate to us or our management are intended to identify forward-looking statements. 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. Our actual future results may differ materially from those set forth in our 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 the factors discussed in detail in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this form 10-Q, as well as:

- the occurrence of catastrophic events with a frequency or severity exceeding our expectations;
- a decrease in the level of demand for reinsurance or an increase in the supply of reinsurance capacity;
- the successful implementation of our new business plan;
- a worsening of the current global economic market conditions and global credit crisis and changing rates of inflation and other economic conditions;
- increased competitive pressures, including the consolidation and increased globalization of reinsurance providers;
- actual losses and loss expenses exceeding our loss reserves, which are necessarily based on the actuarial and statistical projections of ultimate losses;
- increased rate pressure on premiums;
- adequacy of our risk management and loss limitations methods;
- the integration of businesses we may acquire or new business ventures we may start;
- acts of terrorism, political unrest, outbreak of war and other hostilities or other non-forecasted and unpredictable events;
- changes in the legal or regulatory environments in which we operate; and
- 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.

Part I—FINANCIAL INFORMATION

Item 1. Financial Statements.

AMERINST INSURANCE GROUP, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, expressed in U.S. dollars)

	<u>As of September 30, 2010</u>	<u>As of December 31, 2009</u>
ASSETS		
INVESTMENTS		
Fixed maturity investments, available for sale, at fair value (amortized cost \$10,528,592 and \$9,394,968)	\$10,953,051	\$ 9,548,441
Equity securities, available for sale, at fair value (cost \$9,926,637 and \$11,142,968)	15,348,087	17,600,548
TOTAL INVESTMENTS	<u>26,301,138</u>	<u>27,148,989</u>
Cash and cash equivalents	734,384	3,472,529
Restricted cash and cash equivalents	926,258	734,020
Funds deposited with a reinsurer	—	113,382
Assumed reinsurance balances receivable	49,237	—
Accrued investment income	97,522	90,851
Property and equipment	606,460	100,157
Deferred policy acquisition costs	19,044	—
Prepaid expenses and other assets	185,954	215,098
TOTAL ASSETS	<u>\$28,919,997</u>	<u>\$31,875,026</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Unpaid losses and loss adjustment expenses	\$ 1,302,916	\$ 1,510,478
Unearned premium	50,867	—
Assumed reinsurance balances payable	—	148,850
Accrued expenses and other liabilities	926,506	727,319
TOTAL LIABILITIES	<u>\$ 2,280,289</u>	<u>\$ 2,386,647</u>
SHAREHOLDERS' EQUITY		
Common shares, \$1 par value, 2010 and 2009: 2,000,000 shares authorized, 995,253 issued and outstanding	\$ 995,253	\$ 995,253
Additional paid-in capital	6,287,293	6,287,293
Retained earnings	19,302,026	20,846,392
Accumulated other comprehensive income	5,845,909	6,611,053
Shares held by Subsidiary (271,565 and 257,820 shares) at cost	(5,790,773)	(5,251,612)
TOTAL SHAREHOLDERS' EQUITY	<u>26,639,708</u>	<u>29,488,379</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$28,919,997</u>	<u>\$31,875,026</u>

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

AMERINST INSURANCE GROUP, LTD.

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

	<u>Nine Months Ended September 30, 2010</u>	<u>Nine Months Ended September 30, 2009</u>	<u>Three Months Ended September 30, 2010</u>	<u>Three Months Ended September 30, 2009</u>
REVENUE				
Net premiums earned	\$ 128,158	\$ 3,227,147	\$ 29,555	\$ 171,272
Commission income	41,602	—	29,281	—
Net investment income	265,610	671,789	70,739	64,463
Net realized gain on investments	1,608,581	1,864,139	665,369	1,780,292
TOTAL REVENUE	<u>2,043,951</u>	<u>5,763,075</u>	<u>794,944</u>	<u>2,016,027</u>
LOSSES AND EXPENSES				
Losses and loss adjustment expenses (recoveries)	8,755	(3,623,591)	7,384	(434,372)
Policy acquisition (recoveries) costs	(23,155)	859,364	4,326	1,713
Operating and management expenses	2,954,848	2,076,398	897,829	650,262
TOTAL LOSSES AND EXPENSES	<u>2,940,448</u>	<u>(687,829)</u>	<u>909,539</u>	<u>217,603</u>
NET (LOSS) INCOME BEFORE TAX	(896,497)	6,450,904	(114,595)	1,798,424
Income tax expense	—	—	—	—
NET (LOSS) INCOME AFTER TAX	<u>\$ (896,497)</u>	<u>\$ 6,450,904</u>	<u>\$ (114,595)</u>	<u>\$ 1,798,424</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Net unrealized holding gains arising during the period	843,437	5,413,633	1,602,228	3,627,205
Reclassification adjustment for (gains) included in net (loss) income	(1,608,581)	(1,864,139)	(665,369)	(1,780,292)
OTHER COMPREHENSIVE (LOSS) INCOME	<u>(765,144)</u>	<u>3,549,494</u>	<u>936,859</u>	<u>1,846,913</u>
COMPREHENSIVE (LOSS) INCOME	<u>\$ (1,661,641)</u>	<u>\$10,000,398</u>	<u>\$ 822,264</u>	<u>\$ 3,645,337</u>
RETAINED EARNINGS, BEGINNING OF PERIOD	\$20,846,392	\$15,757,104	\$19,756,702	\$20,060,633
Net (loss) income	(896,497)	6,450,904	(114,595)	1,798,424
Dividends	(647,869)	(662,251)	(340,081)	(313,300)
RETAINED EARNINGS, END OF PERIOD	<u>\$19,302,026</u>	<u>\$21,545,757</u>	<u>\$19,302,026</u>	<u>\$21,545,757</u>
Per share amounts				
Net (loss) income basic and diluted	\$ (1.22)	\$ 8.69	\$ (0.16)	\$ 2.43
Dividends	\$ 0.94	\$ 0.94	\$ 0.47	\$ 0.47
Weighted average number of shares outstanding for the entire period (for basic and diluted)	<u>733,205</u>	<u>741,930</u>	<u>729,183</u>	<u>739,996</u>

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)

	<u>Nine Months Ended September 30, 2010</u>	<u>Nine Months Ended September 30, 2009</u>
OPERATING ACTIVITIES		
Net Cash used in Operating Activities	\$ (2,483,271)	\$ (18,939,601)
INVESTING ACTIVITIES		
Movement in restricted cash and cash equivalents	(192,238)	(374,703)
Purchases of property and equipment	(506,303)	—
Purchases of available-for-sale securities	(4,973,462)	(11,828,311)
Proceeds from sales of available-for-sale securities	5,579,159	36,401,295
Proceeds from maturities of fixed maturity investments	1,025,000	1,097,484
Net Cash provided by Investing Activities	<u>932,156</u>	<u>25,295,765</u>
FINANCING ACTIVITIES		
Purchase of shares by subsidiary	(539,161)	(203,174)
Dividends paid	(647,869)	(662,251)
Net Cash used in Financing Activities	<u>(1,187,030)</u>	<u>(865,425)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,738,145)	5,490,739
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 3,472,529	\$ 887,107
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 734,384	\$ 6,377,846

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

AMERINST INSURANCE GROUP, LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

1. BASIS OF PREPARATION AND CONSOLIDATION

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 (“SEC” or the “Commission”), and reflect all adjustments consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations as of the end of and for the periods presented. All intercompany transactions and balances have been eliminated on consolidation. 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. In these notes, the terms “we”, “us”, “our” or “the Company” refer to AmerInst and its subsidiaries. It is suggested that these condensed statements be read in conjunction with the audited consolidated financial statements at and for the year ended December 31, 2009 and notes thereto, included in AmerInst’s Annual Report on Form 10-K for the year then ended.

Critical Accounting Policies

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, 2009.

New Accounting Pronouncements – Accounting Standards Adopted

In January 2010, the Company adopted the revised guidance issued by the Financial Accounting Standard Board (“FASB”) for the disclosures about fair value measurements. The revised guidance requires additional disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. The revised guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The revised guidance is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the revised guidance did not have an impact on the consolidated financial statements.

On February 24, 2010, the FASB amended its guidance on subsequent events to no longer require companies filing periodic reports with the Commission to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements in order to alleviate potential conflicts between the FASB’s guidance and the SEC’s filing requirements. This guidance was effective immediately upon issuance. The adoption of this guidance had no impact on the Company’s results of operations or financial condition. While the Company’s consolidated financial statements no longer disclose the date through which it has evaluated subsequent events, it continues to be required to evaluate subsequent events through the date when the Company’s financial statements are issued.

2. INVESTMENTS

The cost or amortized cost, gross unrealized holding gains and losses, and estimated fair value of the Company’s fixed maturity investments, by major security type, and equity securities as of September 30, 2010 and December 31, 2009 are as follows:

	<u>Cost or Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
<u>As of September 30, 2010</u>				
Fixed maturity investments:				
U.S. government agency securities	\$ 3,012,016	\$ 36,275	\$ —	\$ 3,048,291
Obligations of states and political subdivisions	7,014,299	379,857	(751)	7,393,405
Corporate debt securities	502,277	9,078	—	511,355
Total fixed maturity investments	<u>10,528,592</u>	<u>425,210</u>	<u>(751)</u>	<u>10,953,051</u>
Equity securities*	8,926,637	5,012,468	—	13,939,105
Hedge fund	1,000,000	408,982	—	1,408,982
Total equity securities	<u>9,926,637</u>	<u>5,421,450</u>	<u>—</u>	<u>15,348,087</u>
Total investments	<u>\$20,455,229</u>	<u>\$5,846,660</u>	<u>\$ (751)</u>	<u>\$26,301,138</u>

	<u>Cost or Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
<u>As of December 31, 2009</u>				
Fixed maturity investments:				
U.S. government agency securities	\$ 3,025,655	\$ 14,031	\$ (5,781)	\$ 3,033,905
Obligations of states and political subdivisions	5,862,796	159,640	(36,361)	5,986,075
Corporate debt securities	506,517	21,944	—	528,461
Total fixed maturity investments	<u>9,394,968</u>	<u>195,615</u>	<u>(42,142)</u>	<u>9,548,441</u>
Equity securities*	10,142,968	6,067,843	—	16,210,811
Hedge fund	1,000,000	389,737	—	1,389,737
Total equity securities	<u>11,142,968</u>	<u>6,457,580</u>	<u>—</u>	<u>17,600,548</u>
Total investments	<u>\$20,537,936</u>	<u>\$6,653,195</u>	<u>\$ (42,142)</u>	<u>\$27,148,989</u>

* The Company's equity securities are managed by an external large cap value advisor. Our investment approach is to focus on increasing the fair market value of our equity securities by investing in companies that may or may not be paying a dividend but whose market values may increase over time. Some of the key factors we consider in a prospective company to invest in include the discount to value and the quality of the management team.

The following tables summarize the Company's fixed maturity and equity securities in an unrealized loss position and the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

	<u>12 months or greater</u>		<u>Less than 12 months</u>		<u>Total</u>	
	<u>Estimated Fair Value</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>	<u>Unrealized Losses</u>
<u>As of September 30, 2010</u>						
Fixed maturity investments:						
U.S. government agency securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Obligations of states and political subdivisions	—	—	499,740	(751)	499,740	(751)
Corporate debt securities	—	—	—	—	—	—
Total fixed maturity investments	<u>—</u>	<u>—</u>	<u>499,740</u>	<u>(751)</u>	<u>499,740</u>	<u>(751)</u>
Equity securities	—	—	—	—	—	—
Hedge fund	—	—	—	—	—	—
Total equity securities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ —</u>	<u>\$ —</u>	<u>\$499,740</u>	<u>\$ (751)</u>	<u>\$499,740</u>	<u>\$ (751)</u>

	12 months or greater		Less than 12 months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
As of December 31, 2009						
Fixed maturity investments:						
U.S. government agency securities	\$ —	\$ —	\$2,012,739	\$ (36,361)	\$2,012,739	\$ (36,361)
Obligations of states and political subdivisions	—	—	494,219	(5,781)	494,219	(5,781)
Corporate debt securities	—	—	—	—	—	—
Total fixed maturity investments	—	—	2,506,958	(42,142)	2,506,958	(42,142)
Equity securities	—	—	—	—	—	—
Hedge fund	—	—	—	—	—	—
Total equity securities	—	—	—	—	—	—
Total investments	\$ —	\$ —	\$2,506,958	\$ (42,142)	\$2,506,958	\$ (42,142)

As of September 30, 2010 and December 31, 2009, the number of available for sale fixed maturity securities in an unrealized loss position was 1 and 6 respectively, with an estimated fair value of \$499,740 and \$2,506,958 respectively. As of September 30, 2010 and December 31, 2009, none of these securities had been in an unrealized loss position for 12 months or greater. As of September 30, 2010, none of these securities were considered to be other than temporarily impaired. The Company has no intent to sell and it is more likely than not that the Company will be required to sell these securities before their fair values recover above the adjusted cost. The unrealized losses from these securities were not a result of credit, collateral or structural issues.

Other-Than-Temporary Impairment Process

Upon the adoption of FASB's Accounting Standard Codification (ASC) 320, Investments—Debt and Equity Securities, effective April 1, 2009, the Company changed its process for assessing whether declines in the fair value of its fixed maturity investments represented impairments that are other-than-temporary. The process now includes reviewing each fixed maturity investment that is impaired and (1) determining if the Company has the intent to sell the fixed maturity investment or if it is more likely than not that the Company will be required to sell the fixed maturity investment before its anticipated recovery; and (2) assessing whether a credit loss exists, that is, where the Company expects that the present value of the cash flows expected to be collected from the fixed maturity investment are less than the amortized cost basis of the investment.

The Company had no planned sales of its fixed maturity investments classified as available-for-sale that were in an unrealized loss position at September 30, 2010. In assessing whether it is more likely than not that the Company will be required to sell a fixed maturity investment before its anticipated recovery, the Company considers various factors including its future cash flow requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short term investments and fixed maturity investments available for sale in an unrealized gain position, and other relevant factors. For the nine months ended September 30, 2010, the Company did not recognize any other-than-temporary impairments due to required sales.

In evaluating credit losses, the Company considers a variety of factors in the assessment of a fixed maturity investment including: (1) the time period during which there has been a significant decline below cost; (2) the extent of the decline below cost and par; (3) the potential for the fixed maturity investment to recover in value; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the fixed maturity investment to make scheduled interest or principal payments.

If we conclude a security is other-than-temporarily impaired, we write down the amortized cost of the security to fair value, with a charge to net realized investment gains (losses) in the Consolidated Statement of Operations. Gross unrealized losses on the investment portfolio as of September 30, 2010, relating to one fixed maturity security, amounted to \$751 compared to \$42,142 as of December 31, 2009 on six fixed maturity securities. This decrease was attributable to the increase in the fair value of fixed maturity securities as a result of improved market conditions. The unrealized losses on these available for sale fixed maturity securities were not as a result of credit, collateral or structural issues. During the nine months ended September 30, 2010 and 2009, the Company recorded a total other-than-temporary impairment charge of \$123,310 and \$847,889 on two and twenty-eight equity securities, respectively, as a result of the decline in fair value below cost. No other-than-temporary impairment charges were recorded during the quarters ended September 30, 2010 and 2009.

Fair Value of Investments

Under existing accounting principles generally accepted in the United States, we are required to recognize certain assets at their fair value in our consolidated balance sheets. This includes our fixed maturity investments and equity securities. In accordance with the Fair Value Measurements and Disclosures Topic of FASB's ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon whether the inputs to the valuation of an asset or liability are observable or unobservable in the market at the measurement date, with quoted market prices being the highest level (Level 1) and unobservable inputs being the lowest level (Level 3). A fair value measurement will fall within the level of the hierarchy based on the input that is significant to determining such measurement. The three levels are defined as follows:

- **Level 1:** Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets. Valuation adjustments are not applied to Level 1 securities.
- **Level 2:** Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.
- **Level 3:** Inputs to the valuation methodology that are unobservable for the asset or liability.

At each measurement date, we estimate the fair value of the security using various valuation techniques. We utilize, to the extent available, quoted market prices in active markets or observable market inputs in estimating the fair value of our investments. When quoted market prices or observable market inputs are not available, we utilize valuation techniques that rely on unobservable inputs to estimate the fair value of investments. The following describes the valuation techniques we used to determine the fair value of investments held as of September 30, 2010 and what level within the fair value hierarchy each valuation technique resides.

- **U.S. government agency securities:** Comprised primarily of bonds issued by the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank and the Federal National Mortgage Association. The fair values of U.S. government agency securities are priced using the spread above the risk-free U.S. Treasury yield curve. As the yields for the risk-free U.S. Treasury yield curve are observable market inputs, the fair values of U.S. government agency securities are included in the Level 2 fair value hierarchy. AmerInst considers that there is a liquid market for the types of securities held. Broker quotes are not used for fair value pricing.
- **Obligations of state and political subdivisions:** Comprised of fixed income obligations of state and local governmental municipalities. The fair values of these securities are based on quotes and current market spread relationships, and are included in the Level 2 fair value hierarchy. AmerInst considers that there is a liquid market for the types of securities held. Broker quotes are not used for fair value pricing.
- **Corporate debt securities:** Comprised of bonds issued by corporations. The fair values of these securities are based on quotes and current market spread relationships, and are included in the Level 2 fair value hierarchy. AmerInst considers that there is a liquid market for the types of securities held. Broker quotes are not used for fair value pricing.
- **Equity securities, at fair value:** Comprised primarily of investments in the common stock of publicly traded companies in the U.S. All of the Company's equities are included in the Level 1 fair value hierarchy. The Company receives prices based on closing exchange prices from independent pricing sources to measure fair values for the equities.
- **Hedge fund:** Comprised of a hedge fund whose objective is to seek attractive long-term returns with lower volatility by investing in a range of diversified investment strategies. The fund invests in a diversified pool of hedge fund managers, generally across six different strategies: long/short equities, long/short credit, macro, multi-strategy opportunistic, activist, and portfolio hedge. The fair value of the hedge fund is based on the net asset value of the fund as reported by the fund manager. The fair value of our hedge fund is included in the Level 3 fair value hierarchy.

To validate prices, we complete quantitative analyses to compare the performance of the above investments to the performance of appropriate benchmarks, with significant differences identified and investigated.

There have been no material changes to any of our valuation techniques from what was used as of December 31, 2009. Since the fair value of a security is an estimate of what a willing buyer would pay for our asset if we sold it, we will not know the ultimate value of our securities until they are sold. We believe the valuation techniques utilized provide us with the best estimate of the price that would be received to sell our assets or transfer our liabilities in an orderly market transaction between participants at the measurement date.

The following tables show the fair value of the Company's investments in accordance with FASB's ASC 820, "Fair Value Measurements and Disclosures" as of September 30, 2010 and December 31, 2009.

	Carrying amount	Total fair value	Fair value measurement using:		
			Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of September 30, 2010					
U.S. government agency securities	\$ 3,048,291	\$ 3,048,291	\$ —	\$ 3,048,291	\$ —
Obligations of state and political subdivisions	7,393,405	7,393,405		7,393,405	
Corporate debt securities	511,355	511,355		511,355	
Total fixed maturity investments	<u>10,953,051</u>	<u>10,953,051</u>			
Equity securities (excluding the hedge fund)	13,939,105	13,939,105	13,939,105		
Hedge fund	1,408,982	1,408,982			1,408,982
Total equity securities	<u>15,348,087</u>	<u>15,348,087</u>			
Total investments	<u>\$26,301,138</u>	<u>\$26,301,138</u>	<u>\$13,939,105</u>	<u>\$ 10,953,051</u>	<u>\$ 1,408,982</u>

	Carrying amount	Total fair value	Fair value measurement using:		
			Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of December 31, 2009					
U.S. government agency securities	\$ 3,033,905	\$ 3,033,905	\$ —	\$ 3,033,905	\$ —
Obligations of state and political subdivisions	5,986,075	5,986,075		5,986,075	
Corporate debt securities	528,461	528,461		528,461	
Total fixed maturity investments	<u>9,548,441</u>	<u>9,548,441</u>			
Equity securities (excluding the hedge fund)	16,210,811	16,210,811	16,210,811		
Hedge fund	1,389,737	1,389,737			1,389,737
Total equity securities	<u>17,600,548</u>	<u>17,600,548</u>			
Total investments	<u>\$27,148,989</u>	<u>\$27,148,989</u>	<u>\$16,210,811</u>	<u>\$ 9,548,441</u>	<u>\$ 1,389,737</u>

The following table presents a reconciliation of the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable (Level 3) inputs for the nine months ended September 30, 2010 and 2009.

	Hedge Fund Investment Nine Months ended	
	September 30, 2010	September 30, 2009
Balance classified as Level 3, beginning of period	\$ 1,389,737	\$ 1,152,548
Total gains or losses included in earnings:		
Net realized gains	—	—
Change in fair value of hedge fund investments	19,245	170,096
Purchases or sales	—	—
Transfers in and/or out of Level 3	—	—
Ending balance, end of period	<u>\$ 1,408,982</u>	<u>\$ 1,322,644</u>

The following table presents a reconciliation of the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable (Level 3) inputs for the quarters ended September 30, 2010 and 2009.

	Hedge Fund Investment Three Months ended	
	September 30, 2010	September 30, 2009
Balance classified as Level 3, beginning of period	\$ 1,407,826	\$ 1,253,618
Total gains or losses included in earnings	—	—
Net realized gains	—	—
Change in fair value of hedge fund investments	1,156	69,026
Purchases or sales	—	—
Transfers in and/or out of Level 3	—	—
Ending balance, end of period	<u>\$ 1,408,982</u>	<u>\$ 1,322,644</u>

The cost or amortized cost and estimated fair value of fixed maturity investments as of September 30, 2010 and December 31, 2009 by contractual maturity are shown below. Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations without penalties.

	Amortized Cost	Estimated Fair Value
<u>As of September 30, 2010</u>		
Due in one year or less	\$ 1,002,769	\$ 1,011,095
Due after one year through five years	7,083,132	7,391,780
Due after five years through ten years	2,442,691	2,550,176
Due after ten years	—	—
Total	<u>\$10,528,592</u>	<u>\$10,953,051</u>
	Amortized Cost	Estimated Fair Value
<u>As of December 31, 2009</u>		
Due in one year or less	\$ 1,025,000	\$ 1,031,788
Due after one year through five years	7,706,725	7,876,701
Due after five years through ten years	663,243	639,952
Due after ten years	—	—
Total	<u>\$ 9,394,968</u>	<u>\$ 9,548,441</u>

Information on sales and maturities of investments during the nine months ended September 30, 2010 and 2009 are as follows:

	September 30, 2010	September 30, 2009
Total proceeds on sales of available-for-sale securities	\$ 5,579,159	\$36,401,295
Total proceeds from maturities of fixed maturity investments	1,025,000	1,097,484
Gross gains on sales	2,611,340	3,709,650
Gross losses on sales	(879,449)	(997,622)
Impairment losses	(123,310)	(847,889)

Information on sales and maturities of investments during the quarters ended September 30, 2010 and 2009 are as follows:

	September 30, 2010	September 30, 2009
Total proceeds on sales of available-for-sale securities	\$ 2,847,382	\$ 7,665,361
Total proceeds from maturities of fixed maturity investments	—	569,999
Gross gains on sales	895,675	1,780,292
Gross losses on sales	(230,306)	—
Impairment losses	—	—

Major categories of net interest and dividend income during the nine months ended September 30, 2010 and 2009 are summarized as follows:

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Interest earned:		
Fixed maturity investments	\$ 216,942	\$ 556,388
Cash and cash equivalents	618	5,617
Dividends earned	165,121	238,889
Investment expenses	<u>(117,071)</u>	<u>(129,105)</u>
Net investment income	<u>\$ 265,610</u>	<u>\$ 671,789</u>

Major categories of net interest and dividend income during the quarters ended September 30, 2010 and 2009 are summarized as follows:

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Interest earned:		
Fixed maturity investments	\$ 57,093	\$ 61,673
Cash and cash equivalents	268	2,192
Dividends earned	50,072	44,856
Investment expenses	<u>(36,694)</u>	<u>(44,258)</u>
Net investment income	<u>\$ 70,739</u>	<u>\$ 64,463</u>

3. SEGMENT INFORMATION

The tables below disclose segment income and loss for the following AmerInst operating segments: 1) Reinsurance activity including investments and others, 2) RINITIS™, its financing product, which offers a mechanism to securitize insurance and reinsurance risk, involving property, casualty, life and health lines of insurance, and 3) insurance activity, which offers accountants' and lawyers' professional liability insurance coverage. The RINITIS™ segment is in the marketing phase of development.

	<u>Nine Months Ended September 30, 2010</u>			
	<u>Reinsurance Segment</u>	<u>RINITIS™ Segment</u>	<u>Insurance Segment</u>	<u>Total</u>
Revenue	\$ 2,002,197	\$ —	\$ 41,754	\$ 2,043,951
Losses and Expenses	1,084,257	5,862	1,850,329	2,940,448
Segment income (loss)	\$ 917,940	\$ (5,862)	\$ (1,808,575)	\$ (896,497)
	<u>Nine Months Ended September 30, 2009</u>			
	<u>Reinsurance Segment</u>	<u>RINITIS™ Segment</u>	<u>Insurance Segment</u>	<u>Total</u>
Revenue	\$ 5,763,075	\$ —	\$ —	\$ 5,763,075
Losses and Expenses	(1,210,213)	158,222	364,162	(687,829)
Segment income (loss)	\$ 6,973,288	\$ (158,222)	\$ (364,162)	\$ 6,450,904

	Three Months Ended September 30, 2010			
	Reinsurance Segment	RINITSTM Segment	Insurance Segment	Total
Revenue	\$ 765,613	\$ —	\$ 29,331	\$ 794,944
Losses and Expenses	354,695	1,739	553,105	909,539
Segment income (loss)	\$ 410,918	\$ (1,739)	\$(523,774)	\$ (114,595)

	Three Months Ended September 30, 2009			
	Reinsurance Segment	RINITSTM Segment	Insurance Segment	Total
Revenue	\$2,016,027	\$ —	\$ —	\$2,016,027
Losses and Expenses	12,667	27,503	177,433	217,603
Segment income (loss)	\$2,003,360	\$ (27,503)	\$(177,433)	\$ 1,798,424

4. STOCK COMPENSATION

AmerInst Professional Services Limited (“APSL”), a subsidiary of AmerInst, has entered into employment agreements with four key members of senior management, which grant them phantom shares of the Company. Under these agreements, these employees were initially granted a total of 75,018 phantom shares of the Company on the date of their employment. The phantom shares are eligible for phantom dividends paid at the same rate as regular dividends on the Company’s common shares. The phantom dividends may be used only to purchase additional phantom shares with the purchase price of such phantom shares being the net book value of the Company’s actual common shares as at the end of the previous quarter. During the three months and nine months ended September 30, 2010, approximately 985 and 1,867 phantom shares were granted, respectively, arising from the dividends declared on the Company’s common shares. Approximately 76,885 phantom shares were outstanding at September 30, 2010.

The employees’ interest in the phantom shares initially granted as well as any additional shares granted from dividends declared will vest on January 1, 2015. The liability payable to the employees under this phantom share plan is equal to the difference between the value of the phantom shares based on the net book value of the Company’s actual common shares at the end of the previous quarter less the initial value and is payable in cash upon the earlier of the employee attaining 65 years of age or within 60 days of death or permanent disability, including if such death or permanent disability occurs before January 1, 2015.

The liability relating to these phantom shares is recalculated quarterly based on the net book value of the Company’s common shares at the end of the previous quarter. As a result of the decrease in the book value of the Company’s common shares during the second quarter of 2010, the Company has reversed the entire liability amounting to \$58,788, which had been recorded in prior quarters relating to these phantom shares.

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

Management’s discussion and analysis (“MD&A”) provides supplemental information, which sets forth the major factors that have affected our financial condition and results of operation and should be read in conjunction with our consolidated financial statements and notes thereto included in this Form 10-Q.

Certain statements contained in this Form 10-Q, including this MD&A section, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, 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 “expect,” “believe,” “may” and similar expressions as they relate to us or our management are intended to identify forward-looking statements.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. Please see the Introductory Note and Item 1A “Risk Factors” of our 2009 Annual Report or Form 10-K, as updated in our subsequent quarterly reports filed on Form 10-Q, and in our other filings made from time to time with the SEC after the date of this report for a discussion of factors that could cause our actual results to differ materially from those in the forward-looking statements. However, the risk factors listed in Item 1A “Risk Factors” or discussed in this Form 10-Q 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.

The following discussion addresses our financial condition and results of operations for the periods and as of the dates indicated.

OVERVIEW

Unless otherwise indicated by the context, in this quarterly report we refer to AmerInst Insurance Group, Ltd. and its subsidiaries as the “Company”, “AmerInst,” “we” or “us.” “AMIC Ltd.” means AmerInst’s wholly-owned subsidiary, AmerInst Insurance Company, Ltd. “APSL” means AmerInst Professional Services, Limited, a Delaware corporation and wholly-owned subsidiary of AmerInst Mezco, Ltd. (“Mezco”) which is a wholly-owned subsidiary of AmerInst. “Investco” means AmerInst Investment Company, Ltd., a wholly-owned subsidiary of AMIC Ltd. “AMIG” means our predecessor entity, AmerInst Insurance Group, Inc., a Delaware corporation. Our principal offices are c/o Cedar Management Limited, 25 Church Street, Continental Building, P.O. Box HM 1601, Hamilton, Bermuda, HM GX.

AmerInst, a Bermuda holding company, was formed in 1998. Our mission is to be a company that provides insurance protection for professional service firms and engages in investment activities.

Entry into Agency Agreement

Effective September 25, 2009, APSL entered into an agency agreement (the “Agency Agreement”) with The North River Insurance Company, United States Fire Insurance Company, Crum & Forster Indemnity Company, Crum and Forster Insurance Company, and Crum & Forster Specialty Insurance Company (collectively, “C&F”) pursuant to which C&F appointed APSL as its exclusive agent for the purposes of soliciting, underwriting, quoting, binding, issuing, cancelling, non-renewing and endorsing accountants’ professional liability and lawyers’ professional liability insurance coverage within the 50 states of the United States and the District of Columbia. The initial term of the Agency Agreement is for four years with automatic one year renewals.

Entry into Reinsurance Agreement

We conduct our reinsurance business through AMIC Ltd., our subsidiary, which is a registered insurer in Bermuda. On September 25, 2009, AMIC Ltd. entered into a professional liability quota share agreement with C&F (the “Reinsurance Agreement”) pursuant to which C&F agrees to cede and AMIC Ltd. agrees to accept as reinsurance a fifty percent (50%) quota share of C&F’s liability under insurance written by APSL on behalf of C&F and classified by C&F as accountants’ professional liability and lawyers’ professional liability, subject to AMIC Ltd.’s surplus limitations. The initial term of the Reinsurance Agreement is for four years with automatic one year renewals.

Historical Relationship with CNA

Historically, the primary business activity of our wholly owned insurance subsidiary, AMIC Ltd., had been to act as a reinsurer of professional liability insurance policies that were 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 CPAs in all 50 states.

Our reinsurance activity depends upon agreements with outside parties. AMIG, our predecessor entity, began our reinsurance relationship with CNA Financial Corporation (“CNA”) in 1993.

On January 5, 2009, AMIC Ltd. received written notice from CNA that CNA did not intend to renew the reinsurance program encompassed by the AmerInst Insurance Company Limited Accountants Professional Liability Treaty and the Value Plan Policies Accountants Professional Liability Quota Share Treaty (the “Reinsurance Treaties”). In 2008, the business relationship with CNA accounted for approximately 95% of AmerInst’s net premiums earned.

On May 15, 2009, AMIC Ltd. and CNA entered into a Commutation and Release Agreement (the “Commutation Agreement”) whereby:

- Our relationship with CNA terminated effective December 31, 2008;
- AMIC Ltd. paid to CNA \$20,550,000 on May 22, 2009;
- CNA released and discharged AMIC Ltd. from any claims or liabilities whatsoever under, arising out of, or in any way related to past Reinsurance Treaties;
- AMIC Ltd. released and discharged CNA from any claims or liabilities whatsoever under, arising out of, or in any way related to the past Reinsurance Treaties;
- All rights, duties, liabilities, and obligations of AMIC Ltd. and CNA under the current Reinsurance Treaties were discharged; and

- The 2009 Reinsurance Treaties were rescinded and terminated retroactive to their inception and were void as though they never existed.

In 2009 the Company reduced its estimated liability for unpaid losses and loss adjustment expenses by approximately \$5,400,000 to reflect the impact of the Commutation Agreement.

Included in net income for the 12 months ended December 31, 2009 was earned premium of approximately \$2,800,000, losses and loss adjustment expenses and policy acquisition costs of approximately \$2,000,000 and \$800,000, respectively, relating to the commuted treaties. Since the Commutation Agreement rescinded and terminated the 2009 Reinsurance Treaties retroactive to their inception, such treaties were not recorded in the 2009 consolidated financial statements.

Historical Relationship with CAMICO

From June 1, 2005 through May 31, 2009, we were a party to a reinsurance contract with CAMICO Mutual Insurance Company (“CAMICO”) a California-based writer of accountants’ professionally liability business.

Effective June 1, 2009, we decided not to renew the CAMICO contract and permitted the contract to expire pursuant to its terms. In 2008, the business relationship with CAMICO accounted for approximately 5% of AmerInst’s net premiums earned. We remain potentially liable for claims related to coverage provided through May 31, 2009.

VSC Payment

On July 22, 2009, the Company received a payment of \$500,891 from Virginia Surety Company (“VSC”) in satisfaction of certain recoveries not previously remitted by VSC under retrocession contracts between the Company and VSC for the years 1989-1993. The \$500,891 payment was recorded as a decrease in losses and loss adjustment expenses in the year ended December 31, 2009. The Company and VSC are in dispute with respect to over \$500,000 in additional recoveries, fees and interest, which is currently in arbitration.

Attorneys’ Professional Liability Coverage

Effective January 1, 2003, we entered into a 15% quota share participation of the attorneys’ professional liability coverage provided by Professionals Direct Insurance Company (“PDIC”). This participation terminated on December 31, 2003. We remain potentially liable for claims related to this period of coverage.

Third-party Managers and Service Providers

Cedar Management Limited provides the day-to-day services necessary for the administration of our business. Shareholder services are conducted by USA Risk Group of Vermont, Inc., an affiliate of Cedar Management Limited. Our agreement with Cedar Management Limited renewed for one year beginning January 1, 2010 and ending December 31, 2010. Mr. Stuart H. Grayston, our President, was formerly a director and officer of Cedar Management Limited, and Mr. Thomas R. McMahon, our Vice President and Treasurer, is an officer, director and employee of Cedar Management Limited.

Mowery & Schoenfeld, LLC, an accounting firm affiliated with a former director and chairman emeritus, provides accounting functions to APSL pursuant to a letter of understanding dated January 21, 2010. The letter has an effective date of January 1, 2010 and terminates on December 31, 2010.

The Country Club Bank of Kansas City, Missouri, provides portfolio management of fixed maturity securities and directs our investments pursuant to guidelines approved by us. Harris Associates L.P. and Aurora Investment Management, LLC provide discretionary investment advice with respect to our equity investments. We have retained Milliman USA, an independent casualty actuarial consulting firm, to render advice regarding actuarial matters.

OPERATIONS

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

We recorded a net loss of \$896,497 for the nine months ended September 30, 2010 compared to net income of \$6,450,904 for the nine months ended September 30, 2009. The net loss recorded during the nine months ended September 30, 2010 was attributable to the following: (1) the increased expenses incurred by APSL which commenced operations in late 2009 following the execution of its Agency Agreement with C&F effective September 25, 2009; (2) the reduction in net premiums earned from \$3,227,147 in 2009 to \$128,158 following the commutation and termination of the CNA relationship and non-renewal of the CAMICO policies in 2009 and (3) the reduced net investment income from \$671,789 in 2009 to \$265,610 in 2010 due to the reduction in the investment portfolio following the liquidation of fixed maturity investments in May 2009 to settle the payment of \$20.55 million due to CNA as a result of the Commutation Agreement entered into between the Company and CNA in 2009. The net income recorded for the nine months ended September 30, 2009 is mainly attributable to the reduction of approximately \$5,400,000 in loss and loss adjustment expenses in recognition of the positive development recorded as a result of updating the estimated liability for unpaid losses and loss adjustment expenses on the finalization of the Commutation Agreement with CNA.

Our net premiums earned were \$128,158 for the nine months ended September 30, 2010 compared to \$3,227,147 for the nine months ended September 2009, a decrease of \$3,098,989 or 96.0%. This decrease is due to the 2009 Reinsurance Treaties being rescinded and terminated retroactive to their inception as well as the non-renewal of the CAMCO policies in 2009. The net premiums earned during the nine months ended September 2010 were attributable to premiums written under the Reinsurance Agreement and to revisions to CAMICO premium estimates for prior years.

For the nine months ended September 30, 2010 and September 30, 2009, we recorded commission income of \$41,602 and \$0, respectively, under the Agency Agreement.

We recorded realized gains, net of impairment, of \$1,608,581 during the nine months ended September 30, 2010 compared to \$1,864,139 in the same period of 2009. The decrease in realized gains recorded in 2010 is due to the reduced sales of fixed maturity securities in an unrealized gain position during the nine months ended September 30, 2010. Net investment income earned during the nine months ended September 30, 2010 was \$265,610 compared to \$671,789 for the same period of 2009. The decline in net investment income is due to the reduction in the investment portfolio following the liquidation of certain fixed maturity investments in May 2009 to settle the payment of \$20.55 million due to CNA as a result of the Commutation Agreement entered into between the Company and CNA in 2009. Annualized investment yield, calculated as total interest and dividend income divided by the net average amount of total investments, was 1.2% for the nine months ended September 30, 2010 compared to 2.3% for the nine months ended September 30, 2009.

For the nine months ended September 30, 2010, we recorded loss and loss adjustment expense of \$8,755, which represents an estimated loss ratio of 62.5% times the premiums earned under the Reinsurance Agreement of \$14,008. For the nine months ended September 30, 2009, we recorded loss and loss adjustment recoveries of \$3,623,591 as a result of (1) the reduction in loss reserves related to the CNA treaty following the determination of the ultimate settlement amount after the finalization of the Commutation Agreement, and (2) the recognition of the payment of \$500,891 received from VSC in satisfaction of certain recoveries not previously remitted by VSC under retrocession contracts between AMIC Ltd. and VSC for the years 1989-1993. We will continue to monitor our reserve for losses and loss expenses for any new claims information and adjust our reserve for losses and loss expenses accordingly.

We recorded policy acquisition recoveries of \$23,155 for the nine months ended September 30, 2010 compared to acquisition costs of \$859,364 for the nine months ended September 30, 2009. The policy acquisition recoveries recorded for the nine months ended September 30, 2010 were attributable to the revisions to the CAMICO premium estimates for prior years, net of policy acquisition costs recorded at 37% of premium earned under the Reinsurance Agreement. For the nine months ended September 30, 2009, policy acquisition costs were 26.6% of net premiums earned. 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.

We expensed operating and management expenses of \$2,954,848 for the nine months ended September 30, 2010 compared to \$2,076,398 for the nine months ended September 30, 2009, an increase of \$878,450 or 42.3%. The primary reason for this increase is the increased expenses incurred by APSL, which commenced operations in late 2009 following the execution of its Agency Agreement with C&F effective September 25, 2009.

The tables below disclose segment income and loss for the following AmerInst operating segments: 1) Reinsurance activity including investments and others, 2) RINITS™, its financing product, which offers a mechanism to securitize insurance and reinsurance risk, involving property, casualty, life and health lines of insurance, and 3) insurance activity, which offers accountants' and lawyers' professional liability insurance coverage. The RINITS™ segment is in the marketing phase of development.

	<u>Nine Months Ended September 30, 2010</u>			
	<u>Reinsurance Segment</u>	<u>RINITS™ Segment</u>	<u>Insurance Segment</u>	<u>Total</u>
Revenue	\$2,002,197	\$ —	\$ 41,754	\$2,043,951
Losses and Expenses	1,084,257	5,862	1,850,329	2,940,448
Segment income (loss)	\$ 917,940	\$ (5,862)	\$(1,808,575)	\$ (896,497)

	Nine Months Ended September 30, 2009			
	Reinsurance Segment	RINITIS™ Segment	Insurance Segment	Total
Revenue	\$ 5,763,075	\$ —	\$ —	\$ 5,763,075
Losses and Expenses	(1,210,213)	158,222	364,162	(687,829)
Segment income (loss)	\$ 6,973,288	\$(158,222)	\$(364,162)	\$ 6,450,904

Three months ended September 30, 2010 compared to three months ended September 30, 2009

We recorded a net loss of \$114,595 for the third quarter of 2010 compared to net income of \$1,798,424 for the same period in 2009. The net loss recorded during the third quarter of 2010 was attributable to the increased expenses incurred by APSL, which commenced operations in late 2009 following the execution of its Agency Agreement with C&F, effective September 25, 2009, offset by net realized gain on investments. The net income recorded for the third quarter of 2009 was mainly attributable to net realized gain on investments and a decrease in losses and loss adjustment expenses and policy acquisition costs as a result of the finalization of the Commutation Agreement with CNA and the recognition of the payment of \$500,891 received from VSC in satisfaction of certain recoveries not previously remitted by VSC under retrocession contracts between AMIC Ltd. and VSC for the years 1989 through 1993.

Our net premiums earned for the third quarter of 2010 were \$29,555 compared to \$171,272 for the third quarter of 2009, a decrease of \$141,717 or 82.7%. The net premiums earned during the third quarter of 2010 were attributable to premiums written under the Reinsurance Agreement and to revisions to CAMICO premium estimates for prior years. The net premiums earned during the third quarter of 2009 were attributable to revisions to CAMICO premium estimates for prior years.

For the quarters ended September 30, 2010 and September 30, 2009, we recorded commission income of \$29,281 and \$0, respectively, under the Agency Agreement.

We recorded net investment income of \$70,739 for the quarter ended September 30, 2010 compared to \$64,463 for the quarter ended September 30, 2009, an increase of \$6,276 or 9.7%. This increase is due to a greater amount invested during the third quarter of 2010 compared to the same period of 2009. Annualized investment yield, calculated as total interest and dividend income divided by the net average amount of total investments, was 1.0% for the quarter ended September 30, 2010 compared to 0.9% for the quarter ended September 30, 2009.

Sales of securities during the quarter ended September 30, 2010, resulted in realized gains on investments net of impairment of \$665,369 compared to \$1,780,292 during the quarter ended September 30, 2009. The decrease in realized gains recorded in the third quarter of 2010 primarily related to reduced sales of equity securities in an unrealized gain position compared to 2009.

For the quarter ended September 30, 2010, we recorded loss and loss adjustment expenses of \$7,384. To determine this expense, we multiplied an estimated loss ratio of 62.5% times the premium earned under the Reinsurance Agreement of \$11,815. For the quarter ended September 30, 2009, we recorded loss and loss adjustment recoveries of \$434,372 as a result of the recognition of the payment of \$500,891 received from VSC in satisfaction of certain recoveries not previously remitted by VSC under retrocession contracts between AMIC Ltd. and VSC for the years 1989-1993. We will continue to monitor our reserve for losses and loss expenses for any new claims information and adjust our reserve for losses and loss expenses accordingly.

We recorded policy acquisition costs of \$4,326 in the third quarter of 2010 compared to costs of \$1,713 for the same period of 2009, an increase of \$2,613 or 153% in the expense. The policy acquisition costs recorded in the third quarter of 2010 were 37% of the premium earned under the Reinsurance Agreement adjusted for revisions to prior period CAMICO estimates. The policy acquisition costs recorded in the third quarter of 2009 were attributable to revisions to prior period CAMICO estimates. 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.

We expensed operating and management expenses of \$897,829 in the third quarter of 2010 compared to \$650,262 for the same period of 2009, an increase of \$247,567 or 38.1%. The primary reason for this increase is the increased expenses incurred by APSL, which commenced operations in late 2009 following the execution of its Agency Agreement with C&F, effective September 25, 2009.

The tables below disclose segment income and loss for the following AmerInst operating segments: 1) Reinsurance activity, 2) RINITIS™, its financing product, which offers a mechanism to securitize insurance and reinsurance risk, involving property, casualty, life and health lines of insurance, and 3) insurance activity, which offers accountants' and lawyers' professional liability insurance coverage. The RINITIS™ segment is in the marketing phase of development.

	Three Months Ended September 30, 2010			
	Reinsurance Segment	RINITIS™ Segment	Insurance Segment	Total
Revenue	\$ 765,613	\$ —	\$ 29,331	\$ 794,944
Losses and Expenses	354,695	1,739	553,105	909,539
Segment income (loss)	\$ 410,918	\$ (1,739)	\$(523,774)	\$ (114,595)

	Three Months Ended September 30, 2009			
	Reinsurance Segment	RINITIS™ Segment	Insurance Segment	Total
Revenue	\$2,016,027	\$ —	\$ —	\$2,016,027
Losses and Expenses	12,667	27,503	177,433	217,603
Segment income (loss)	\$2,003,360	\$ (27,503)	\$(177,433)	\$1,798,424

FINANCIAL CONDITION AND LIQUIDITY

In late 2008 and into 2009, the capital markets were illiquid, reflecting uncertainties associated with the mortgage crisis, worsening economic conditions, widening of credit spreads, bankruptcies and government intervention in large financial institutions. Though current market conditions appear to have stabilized and even improved recently resulting in realized and unrealized gains in our investment portfolio, there is still the potential for further instability which could present additional risks and uncertainties for our business and make it more difficult to value certain of our securities if trading becomes less frequent. As such, valuations may include assumptions and estimates that may have significant period-to-period changes that could have a material adverse effect on our results of operations or financial condition.

As of September 30, 2010, our total investments were \$26,301,138, a decrease of \$847,851, or 3.1%, from \$27,148,989 at December 31, 2009. The decrease was primarily due to sales of certain equity and fixed maturity investments. The cash and cash equivalents balance decreased from \$3,472,529 at December 31, 2009 to \$734,384 at September 30, 2010, a decrease of \$2,738,145, or 78.9%. 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 funds. The restricted cash and cash equivalents balance increased from \$734,020 at December 31, 2009 to \$926,258 at September 30, 2010, an increase of \$192,238 or 26.2%. The increase is due to the timing of sales and maturities of investments held as restricted cash at September 30, 2010 that have not yet been reinvested. The ratio of cash and total investments to total liabilities at September 30, 2010 was 12.26:1, compared to a ratio of 13.14:1 at December 31, 2009.

Assumed reinsurance balances receivable represents current premiums due from the ceding companies. Assumed reinsurance payable represents current reinsurance losses payable to the ceding companies. As of September 30, 2010, the balance was a receivable of \$49,237 compared to a payable of \$148,850 as of December 31, 2009. This balance fluctuates due to the timing of reported premiums and losses.

The Bermuda Monetary Authority has authorized Investco to purchase the Company's common shares from shareholders who have died or retired from the practice of public accounting and on a negotiated basis. During the quarter ended September 30, 2010, Investco purchased 11,103 common shares from these shareholders who had died or retired for a total purchase price of \$444,009. Through September 30, 2010, Investco had purchased 107,582 common shares from shareholders who had died or retired for a total purchase price of \$2,567,741. From time to time, Investco has also purchased shares in privately negotiated transactions. Through September 30, 2010, Investco had purchased an additional 67,074 common shares in such privately negotiated transactions for a total purchase price of \$887,963.

Cash Dividends

We paid our semi-annual dividends of \$0.47 per share during the first and third quarters of 2010, which amounted to ordinary cash dividends of \$346,399 and \$340,081, respectively. The dividends paid in 2010 have been reduced by \$38,611, which represents a write back of uncashed dividends issued prior to 2005 to shareholders that we have been unable to locate. Since AmerInst began paying consecutive dividends in 1995, our original shareholders have received \$17.93 in cumulative dividends per share. When measured by a total rate of return calculation this has resulted in an effective annual rate of return of approximately 10.41% 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 \$36.81 per share as of September 30, 2010.

Critical Accounting Policies

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, 2009.

Available Information

We file annual, quarterly, and current reports, proxy statements and other information with the Commission. You may read any public document we file with the Commission at the Commission's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the Commission at 1-800-SEC-0330 for information on the public reference room. The Commission maintains an internet site that contains annual, quarterly, and current reports, proxy and information statements and other information that issuers (including AmerInst) file electronically with the Commission. The Commission's internet site is www.sec.gov.

Our internet site is www.amerinst.bm. We make available free of charge through our internet site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Commission. We also make available, through our internet site, via links to the Commission's internet site, statements of beneficial ownership of our equity securities filed by our directors, officers, 10% or greater shareholders and others under Section 16 of the Securities Exchange Act. In addition, we post on www.amerinst.bm our Memorandum of Association, our Bye-Laws, our Statement of Share Ownership Policy, Charters for our Audit Committee and Governance and Nominations Committee, as well as our Code of Business Conduct and Ethics. You can request a copy of these documents, excluding exhibits, at no cost, by writing or telephoning us c/o Cedar Management Limited, 25 Church Street, Continental Building, P.O. Box HM 1601 Hamilton, Bermuda HMGX, Attention: Investor Relations (441) 296-3973. The information on our internet site is not incorporated by reference into this report.

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 Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934. Based upon that evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures were 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 2009 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

From time to time, the Company has repurchased its common shares from individual shareholders who have died or retired from the practice of accounting. The following table shows information relating to the purchase of shares from these shareholders during the three month period ended September 30, 2010:

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Program</u>	<u>Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program</u>
July 2010	4,787	\$ 39.99	4,787	N/A
August 2010	6,316	\$ 39.99	6,316	N/A
September 2010	—	—	—	N/A
Total	11,103	\$ 39.99	11,103	N/A

From time to time, the Company has repurchased its common shares from individual shareholders in privately negotiated transactions. No transactions occurred during the three month period ended September 30, 2010.

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 12, 2010

AMERINST INSURANCE GROUP, LTD.
(Registrant)

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

By: /s/ THOMAS R. MCMAHON
Thomas R. McMahon
Vice President (Principal 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, 2010

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

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

I, Stuart H. 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 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)) an internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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 12, 2010

/s/ STUART H. GRAYSTON

Stuart H. Grayston

President (Principal Executive Officer)

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

I, Thomas R. McMahon, 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 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)) an internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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 12, 2010

/s/ THOMAS R. MCMAHON

Thomas R. McMahon

Vice President (Principal Financial Officer)

**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, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart H. Grayston, President and Principal 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 H. GRAYSTON

Stuart H. Grayston

President (Principal Executive Officer)

November 12, 2010

**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, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas R. McMahon, Vice President and Principal 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/ THOMAS R. MCMAHON

Thomas R. McMahon

Vice President (Principal Financial Officer)

November 12, 2010