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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934**

For the Quarterly Period ended June 30, 2019.

**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

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**AMERINST INSURANCE GROUP, LTD.**

(Exact Name of Registrant as Specified in its Charter)

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**BERMUDA**  
(State or other jurisdiction of  
Incorporation or Organization)

**c/o Citadel Management Bermuda Limited**  
**25 Church Street, Continental Building**  
**P.O. Box HM 1601, Hamilton, Bermuda**  
(Address of Principal Executive Offices)

**98-0207447**  
(I.R.S. Employer  
Identification No.)

**HMGX**  
(Zip Code)

**(441) 295-6015**  
(Telephone number)

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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," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                          |                           |                                     |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| Emerging Growth Company | <input type="checkbox"/> |                           |                                     |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of The Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO .

Securities registered pursuant to Section 12(b) of the Act: None.

As of August 1, 2019, the Registrant had 995,253 common shares, \$1.00 par value per share, outstanding.

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## 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," "could," "should," "would," "estimate," "anticipate," "intend," "plan," "target," "goal" 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:

- our ability to generate increased revenues and positive earnings in future periods;
- the occurrence of catastrophic events with a frequency or severity exceeding our expectations;
- the legislative and administrative impact of the current United States administration on our business;
- subjection of our non-U.S. companies to regulation and/or taxation in the United States;
- a decrease in the level of demand for professional liability insurance and reinsurance or an increase in the supply of professional liability insurance and reinsurance capacity;
- our ability to meet the performance goals and metrics set forth in our business plan without a significant depletion of our cash resources while maintaining sufficient capital levels;
- the effects of security breaches, cyber-attacks or computer viruses that may affect our computer systems or those of our customers, third-party managers and service providers;
- a worsening of the current global economic market conditions 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 or decreased rate pressure on premiums;
- adequacy of our risk management and loss limitation methods;
- the successful 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;
- compliance with and 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)

|  | As of<br>June 30,<br>2019 | As of<br>December 31,<br>2018 |
|--|---------------------------|-------------------------------|
| <b>ASSETS</b>  |                           |                               |
| <b>Investments:</b>  |                           |                               |
| Fixed maturity investments, at fair value (amortized cost \$14,244,195 and \$14,806,427)                 | \$14,292,608              | \$14,588,080                  |
| Equity securities, at fair value (cost \$12,546,573 and \$12,145,120)                                    | 15,940,845                | 13,445,226                    |
| <b>TOTAL INVESTMENTS</b>   | <b>30,233,453</b>         | <b>28,033,306</b>             |
| Cash and cash equivalents  | 6,240,755                 | 5,498,914                     |
| Restricted cash and cash equivalents   | 584,558                   | 472,132                       |
| Assumed reinsurance premiums receivables   | 2,749,710                 | 2,651,863                     |
| Accrued investment income  | 86,690                    | 88,569                        |
| Property and equipment   | 1,056,273                 | 776,382                       |
| Deferred income taxes  | 2,790,000                 | 2,730,000                     |
| Deferred policy acquisition costs  | 2,116,112                 | 1,869,368                     |
| Prepaid expenses and other assets  | 2,008,704                 | 1,981,913                     |
| <b>TOTAL ASSETS</b>  | <b>\$47,866,255</b>       | <b>\$44,102,447</b>           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                           |                               |
| <b>LIABILITIES</b>   |                           |                               |
| Unpaid losses and loss adjustment expenses   | \$13,995,217              | \$12,989,260                  |
| Unearned premiums  | 5,719,204                 | 5,051,847                     |
| Assumed reinsurance payable  | 2,262,430                 | 2,171,767                     |
| Accrued expenses and other liabilities   | 5,709,748                 | 5,934,408                     |
| <b>TOTAL LIABILITIES</b>   | <b>\$27,686,599</b>       | <b>\$26,147,282</b>           |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                           |                               |
| <b>SHAREHOLDERS' EQUITY</b>  |                           |                               |
| Common shares, \$1 par value, 2019 and 2018: 2,000,000 shares authorized, 995,253 issued and outstanding | \$ 995,253                | \$ 995,253                    |
| Additional paid-in-capital   | 6,425,996                 | 6,393,730                     |
| Retained earnings  | 21,581,045                | 19,725,581                    |
| Accumulated other comprehensive income   | 48,413                    | (218,348)                     |
| Shares held by Subsidiary (362,699 and 365,198 shares) at cost   | (8,871,051)               | (8,941,051)                   |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <b>20,179,656</b>         | <b>17,955,165</b>             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$47,866,255</b>       | <b>\$44,102,447</b>           |

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

**AMERINST INSURANCE GROUP, LTD.**

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

|   | <u>Six Months<br/>Ended<br/>June 30,<br/>2019</u> | <u>Six Months<br/>Ended<br/>June 30,<br/>2018</u> | <u>Three Months<br/>Ended<br/>June 30,<br/>2019</u> | <u>Three Months<br/>Ended<br/>June 30,<br/>2018</u> |
|---|---|---|---|---|
| <b>REVENUE</b>  |   |   |   |   |
| Net premiums earned   | \$ 5,325,609                                      | \$ 4,670,878                                      | \$ 2,862,026  | \$ 2,535,703  |
| Commission income   | 2,945,488   | 2,757,209   | 1,389,684   | 1,328,229   |
| Net investment income   | 229,652   | 175,693   | 106,610   | 87,224  |
| Net realized and unrealized gains on investments                    | 2,523,297   | 328,286   | 775,972   | 489,346   |
| <b>TOTAL REVENUE</b>  | <u>11,024,046</u>                                 | <u>7,932,066</u>                                  | <u>5,134,292</u>                                    | <u>4,440,502</u>                                    |
| <b>LOSSES AND EXPENSES</b>  |   |   |   |   |
| Losses and loss adjustment expenses                                 | 3,408,388   | 3,012,715   | 1,831,695   | 1,635,527   |
| Policy acquisition costs  | 1,970,658   | 1,728,149   | 1,058,950   | 938,272   |
| Operating and management expenses                                   | 3,502,531   | 3,358,633   | 1,770,889   | 1,718,967   |
| <b>TOTAL LOSSES AND EXPENSES</b>                                    | <u>8,881,577</u>                                  | <u>8,099,497</u>                                  | <u>4,661,534</u>                                    | <u>4,292,766</u>                                    |
| <b>NET INCOME (LOSS) BEFORE TAX</b>                                 | 2,142,469   | (167,431)   | 472,758   | 147,736   |
| Income (benefit) tax expense  | (38,686)  | —   | (38,686)  | —   |
| <b>NET INCOME (LOSS) AFTER TAX</b>                                  | <u>\$ 2,181,155</u>                               | <u>\$ (167,431)</u>                               | <u>\$ 511,444</u>                                   | <u>\$ 147,736</u>                                   |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                            |   |   |   |   |
| Net unrealized holding gains (losses) arising during the period     | 266,761   | (189,378)   | 126,352   | (25,186)  |
| Reclassification adjustment for gains included in net income        | —   | —   | —   | —   |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                            | 266,761   | (189,378)   | 126,352   | (25,186)  |
| <b>COMPREHENSIVE INCOME (LOSS)</b>                                  | <u>\$ 2,447,916</u>                               | <u>\$ (356,809)</u>                               | <u>\$ 637,796</u>                                   | <u>\$ 122,550</u>                                   |
| <b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>                       | \$19,725,581                                      | \$15,812,419                                      | \$21,395,292  | \$20,590,202  |
| Net income (loss)   | 2,181,155   | (167,431)   | 511,444   | 147,736   |
| Dividends   | (325,691)   | (313,417)   | (325,691)   | (313,417)   |
| Cumulative effect of adoption of accounting guidance (ASU 2016-01)  | —   | 5,092,950   | —   | —   |
| <b>RETAINED EARNINGS, END OF PERIOD</b>                             | <u>\$21,581,045</u>                               | <u>\$20,424,521</u>                               | <u>\$21,581,045</u>                                 | <u>\$20,424,521</u>                                 |
| <b>Per share amounts</b>  |   |   |   |   |
| Net income (loss) per share   |   |   |   |   |
| Basic   | \$ 3.45   | \$ (0.26)   | \$ 0.81   | \$ 0.23   |
| Diluted   | \$ 3.44   | \$ (0.26)   | \$ 0.80   | \$ 0.23   |
| Dividends   | \$ 0.50   | \$ 0.50   | \$ 0.50   | \$ 0.50   |
| Weighted average number of shares outstanding for the entire period |   |   |   |   |
| Basic   | 631,305   | 645,485   | 632,554   | 646,647   |
| Diluted   | 633,787   | 645,485   | 637,058   | 648,404   |

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

AMERINST INSURANCE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited, expressed in U.S. dollars)

As of June 30, 2019

|   | Common<br>Shares | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Losses) | Shares<br>Held by<br>Subsidiary | Total<br>Shareholders'<br>Equity |
|---|------------------|----------------------------------|----------------------|--|---------------------------------|----------------------------------|
| BALANCE AT JANUARY 1, 2019  | \$995,253        | \$6,393,730                      | \$19,725,581         | \$ (218,348)   | \$(8,941,051)                   | \$17,955,165                     |
| Net income  | —                | —                                | 1,669,711            | —  | —                               | 1,669,711                        |
| Other comprehensive income  |                  |                                  |                      |  |                                 |                                  |
| Unrealized gains on securities, net of reclassification<br>adjustment | —                | —                                | —                    | 140,409  | —                               | 140,409                          |
| BALANCE AT MARCH 31, 2019   | \$995,253        | \$6,393,730                      | \$21,395,292         | \$ (77,939)  | \$(8,941,051)                   | \$19,765,285                     |
| Net income  | —                | —                                | 511,444              | —  | —                               | 511,444                          |
| Issuance of stock option awards                                       | —                | 32,266                           | —                    | —  | —                               | 32,266                           |
| Other comprehensive income  |                  |                                  |                      |  |                                 |                                  |
| Unrealized gain on securities, net of reclassification<br>adjustment  | —                | —                                | —                    | 126,352  | —                               | 126,352                          |
| Purchase of shares by subsidiary, net                                 | —                | —                                | —                    | —  | 70,000                          | 70,000                           |
| Dividends (\$0.50 per share)  | —                | —                                | (325,691)            | —  | —                               | (325,691)                        |
| BALANCE AT JUNE 30, 2019  | \$995,253        | \$6,425,996                      | \$21,581,045         | \$ 48,413  | \$(8,871,051)                   | \$20,179,656                     |

As of June 30, 2018

|  | Common<br>Shares | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Losses) | Shares<br>Held by<br>Subsidiary | Total<br>Shareholders'<br>Equity |
|--|------------------|----------------------------------|----------------------|--|---------------------------------|----------------------------------|
| BALANCE AT JANUARY 1, 2018   | \$995,253        | \$6,323,450                      | \$15,812,419         | \$ 5,029,160   | \$(8,454,506)                   | \$19,705,776                     |
| Net loss   | —                | —                                | (315,167)            | —  | —                               | (315,167)                        |
| Other comprehensive loss   |                  |                                  |                      |  |                                 |                                  |
| Unrealized (losses) on securities, net of reclassification<br>adjustment | —                | —                                | —                    | (164,192)  | —                               | (164,192)                        |
| Cumulative effect of adoption of accounting guidance<br>(ASU 2016-01))   | —                | —                                | 5,092,950            | (5,092,950)  | —                               | —                                |
| BALANCE AT MARCH 31, 2018  | \$995,253        | \$6,323,450                      | \$20,590,202         | \$ (227,982)   | \$(8,454,506)                   | \$19,226,417                     |
| Net income   | —                | —                                | 147,736              | —  | —                               | 147,736                          |
| Issuance of stock option awards  | —                | 18,700                           | —                    | —  | —                               | 18,700                           |
| Other comprehensive loss   |                  |                                  |                      |  |                                 |                                  |
| Unrealized (losses) on securities, net of reclassification<br>adjustment | —                | —                                | —                    | (25,186)   | —                               | (25,186)                         |
| Purchase of shares by subsidiary, net                                    | —                | —                                | —                    | —  | 12,542                          | 12,542                           |
| Dividends (\$0.50 per share)   | —                | —                                | (313,417)            | —  | —                               | (313,417)                        |
| BALANCE AT JUNE 30, 2018   | \$995,253        | \$6,342,150                      | \$20,424,521         | \$ (253,168)   | \$(8,441,964)                   | \$19,066,792                     |

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)

|   | Six Months<br>Ended<br>June 30, 2019 | Six Months<br>Ended<br>June 30, 2018 |
|---|--------------------------------------|--------------------------------------|
| <b>OPERATING ACTIVITIES</b>                                       |                                      |                                      |
| Net Cash provided by Operating Activities                         | \$ 1,040,966                         | \$ 722,419                           |
| <b>INVESTING ACTIVITIES</b>                                       |                                      |                                      |
| Purchases of property and equipment                               | (427,800)                            | (163,428)                            |
| Purchases of available-for-sale securities                        | (3,485,934)                          | (4,202,833)                          |
| Proceeds from sales of available-for-sale securities              | 1,802,726                            | 2,930,138                            |
| Proceeds from redemptions of hedge fund investments               | —                                    | 3,085                                |
| Proceeds from maturities of fixed maturity investments            | 2,250,000                            | 1,970,000                            |
| Net Cash provided by Investing Activities                         | 138,992                              | 536,962                              |
| <b>FINANCING ACTIVITIES</b>                                       |                                      |                                      |
| Dividends paid  | (325,691)                            | (313,417)                            |
| Net Cash used in Financing Activities                             | (325,691)                            | (313,417)                            |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH        | 854,267                              | 945,964                              |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD | 5,971,046                            | 5,718,956                            |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD       | <u>\$ 6,825,313</u>                  | <u>\$ 6,664,920</u>                  |

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

AMERINST INSURANCE GROUP, LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019

**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 (the “Commission”). These financial statements 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 in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany transactions and balances have been eliminated on consolidation. These statements are condensed and do not incorporate all the information required under U.S. GAAP 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. These condensed statements should be read in conjunction with the audited consolidated financial statements at and for the year ended December 31, 2018 and notes thereto, included in AmerInst’s Annual Report on Form 10-K for the year then ended.

***New Accounting Pronouncements***

***New Accounting Standards Adopted in 2019***

***Leases***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, which is codified in ASC 842, amending the guidance on the classification, measurement and disclosure of leases for both lessors and lessees. The ASU requires lessees to recognize a right-of-use asset and an offsetting lease liability on the balance sheet and to disclose qualitative and quantitative information about leasing arrangements. Subsequently, in July 2018, the FASB issued ASU 2018-10, which clarifies how to apply certain aspects of ASC 842. The amendments in the ASU address a number of issues in the new leases guidance, including (1) the rate implicit in the lease, (2) impairment of the net investment in the lease, (3) lessee reassessment of lease classification, (4) lessor reassessment of lease term and purchase options, (5) variable payments that depend on an index or rate, and (6) certain transition adjustments.

In July 2018, the FASB also issued ASU 2018-11, which adds a transition option for all entities and a practical expedient only for lessors to ASU 2016-02. The transition option, which we elected on adoption of the guidance, allows entities to choose not to apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840—Leases, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard. This means that entities that elect this option will only provide annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Entities that elect this transition option will still be required to adopt the new leases standard using the modified retrospective transition method required by the standard, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. The practical expedient provides lessors with an option to not separate the non-lease components from the associated lease components when certain criteria are met and requires them to account for the combined component in accordance with the revenue recognition standard in ASC 606 if the associated non-lease components are the predominant components.

The Company adopted the new leasing standard and the related amendments on January 1, 2019. The Company believes the most significant change relates to the recognition of new right of use assets and lease liabilities on the consolidated balance sheet for Protexure’s real estate operating lease. These assets and liabilities, which are included in the “Prepaid expenses and other assets” line and “Accrued expenses and other liabilities” line of the Condensed Consolidated Balance Sheets, respectively, represent less than 1% of the Company’s total assets and total liabilities. The adoption did not have a material impact on its consolidated financial statements.

***Accounting Standards Not Yet Adopted***

***Financial Instruments Credit Losses-Measurement of Credit Losses on Financial Instruments***

In June 2016, the FASB issued ASU 2016-13, which amends the guidance on impairment of financial instruments and significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The ASU will replace the existing “incurred loss” approach, with an “expected loss” model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the existing other-than temporary-impairment model. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. The ASU is effective for interim and annual reporting periods beginning after December 15, 2019. We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

#### Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU 2018-02 “Income Statement—Reporting Comprehensive Income (Topic 220)—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” in response to a financial reporting issue that arose as a consequence of the U.S. federal government tax bill, H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (“U.S. Tax Reform”) which became law on December 22, 2017.

U.S. GAAP currently requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date. This guidance is applicable even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income rather than in income from continuing operations. As the adjustment of deferred taxes due to the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate is required to be included in income from continuing operations, the tax effects of items within accumulated other comprehensive income (referred to as stranded tax effects for purposes of this update) do not reflect the appropriate tax rate.

The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from U.S. Tax Reform. Consequently, the amendments eliminate the stranded tax effects resulting from U.S. Tax Reform and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of U.S. Tax Reform, the underlying guidance that requires the effect of a change in tax laws or rates be included in income from continuing operations is not affected.

#### Changes to the Disclosure Requirements for Fair Value Measurements

In August 2018, the FASB issued ASU 2018-13, which amended the fair value measurement guidance in ASC 820—Fair Value Measurement, by removing and modifying certain existing disclosure requirements, while also adding new disclosure requirements. The ASU is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted, with the amendments being applied either prospectively or retrospectively, as specified in the ASU. In addition, an entity may elect to early adopt the removal or modification of disclosures immediately and delay the adoption of the new disclosure requirements until the effective date. We are currently assessing the impact of adopting this guidance. However, we do not expect the new or modified disclosures to have a material impact on our consolidated financial statements.

## 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 June 30, 2019 and December 31, 2018 are as follows:

|   | Cost or<br>Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair Value |
|---|------------------------------|------------------------------|-------------------------------|-------------------------|
| <b>As of June 30, 2019</b>                            |                              |                              |                               |                         |
| Fixed maturity investments:                           |                              |                              |                               |                         |
| U.S. government agency securities                     | \$ 4,697,638                 | \$ 34,138                    | \$ (305)                      | \$ 4,731,471            |
| Obligations of U.S. states and political subdivisions | 2,417,499                    | 24,745                       | —                             | 2,442,244               |
| Corporate debt securities                             | 7,129,058                    | 4,775                        | (14,940)                      | 7,118,893               |
| Total fixed maturity investments                      | <u>14,244,195</u>            | <u>63,658</u>                | <u>(15,245)</u>               | <u>14,292,608</u>       |
| Equity securities                                     | 12,546,573                   | 4,180,187                    | (785,915)                     | 15,940,845              |
| Total equity securities                               | <u>12,546,573</u>            | <u>4,180,187</u>             | <u>(785,915)</u>              | <u>15,940,845</u>       |
| Total investments                                     | <u>\$26,790,768</u>          | <u>\$4,243,845</u>           | <u>\$ (801,160)</u>           | <u>\$30,233,453</u>     |
| <b>As of December 31, 2018</b>                        |                              |                              |                               |                         |
| Fixed maturity investments:                           |                              |                              |                               |                         |
| U.S. government agency securities                     | \$ 6,739,840                 | \$ 287                       | \$ (66,395)                   | \$ 6,673,732            |
| Obligations of U.S. states and political subdivisions | 1,908,719                    | 7,735                        | (13,514)                      | 1,902,940               |
| Corporate debt securities                             | 6,157,868                    | —                            | (146,460)                     | 6,011,408               |
| Total fixed maturity investments                      | <u>14,806,427</u>            | <u>8,022</u>                 | <u>(226,369)</u>              | <u>14,588,080</u>       |
| Equity securities                                     | 12,145,120                   | 2,596,269                    | (1,296,163)                   | 13,445,226              |
| Total equity securities                               | <u>12,145,120</u>            | <u>2,596,269</u>             | <u>(1,296,163)</u>            | <u>13,445,226</u>       |
| Total investments                                     | <u>\$26,951,547</u>          | <u>\$2,604,291</u>           | <u>\$(1,522,532)</u>          | <u>\$28,033,306</u>     |

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:

|  | 12 months or greater    |                      | Less than 12 months     |                      | Total                   |                      |
|--|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
|  | Estimated<br>Fair Value | Unrealized<br>Losses | Estimated<br>Fair Value | Unrealized<br>Losses | Estimated<br>Fair Value | Unrealized<br>Losses |
| <b>As of June 30, 2019</b>                       |                         |                      |                         |                      |                         |                      |
| Fixed maturity investments:                      |                         |                      |                         |                      |                         |                      |
| U.S. government agency securities                | \$ 497,945              | \$ (285)             | \$ 249,668              | \$ (20)              | \$ 747,613              | \$ (305)             |
| Obligations of states and political subdivisions | —                       | —                    | —                       | —                    | —                       | —                    |
| Corporate debt securities                        | 3,488,669               | (14,940)             | —                       | —                    | 3,488,669               | (14,940)             |
| Total fixed maturity investments                 | <u>3,986,614</u>        | <u>(15,225)</u>      | <u>249,668</u>          | <u>(20)</u>          | <u>4,236,282</u>        | <u>(15,245)</u>      |
| Equity securities                                | 245,726                 | (125,246)            | 3,875,392               | (660,669)            | 4,121,118               | (785,915)            |
| Total equity securities                          | <u>245,726</u>          | <u>(125,246)</u>     | <u>3,875,392</u>        | <u>(660,669)</u>     | <u>4,121,118</u>        | <u>(785,915)</u>     |
| Total investments                                | <u>\$4,232,340</u>      | <u>\$(140,471)</u>   | <u>\$4,125,060</u>      | <u>\$(660,689)</u>   | <u>\$8,357,400</u>      | <u>\$(801,160)</u>   |

|  | 12 months or greater    |                      | Less than 12 months     |                      | Total                   |                      |
|--|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
|  | Estimated<br>Fair Value | Unrealized<br>Losses | Estimated<br>Fair Value | Unrealized<br>Losses | Estimated<br>Fair Value | Unrealized<br>Losses |
| <b>As of December 31, 2018</b>                   |                         |                      |                         |                      |                         |                      |
| Fixed maturity investments:                      |                         |                      |                         |                      |                         |                      |
| U.S. government agency securities                | \$3,389,369             | \$ (55,015)          | \$ 2,788,235            | \$ (11,380)          | \$ 6,177,604            | \$ (66,395)          |
| Obligations of states and political subdivisions | 766,118                 | (13,166)             | 139,651                 | (348)                | 905,769                 | (13,514)             |
| Corporate debt securities                        | 4,498,396               | (125,689)            | 1,513,012               | (20,771)             | 6,011,408               | (146,460)            |
| Total fixed maturity investments                 | 8,653,883               | (193,870)            | 4,440,898               | (32,499)             | 13,094,781              | (226,369)            |
| Equity securities                                | 97,708                  | (40,981)             | 5,683,065               | (1,255,182)          | 5,780,773               | (1,296,163)          |
| Total equity securities                          | 97,708                  | (40,981)             | 5,683,065               | (1,255,182)          | 5,780,773               | (1,296,163)          |
| Total investments                                | \$8,751,591             | \$(234,851)          | \$10,123,963            | \$(1,287,681)        | \$18,875,554            | \$(1,522,532)        |

As of June 30, 2019 and December 31, 2018, there were 13 and 35 fixed income securities in an unrealized loss position with an estimated fair value of \$4,236,282 and \$13,094,781, respectively. As of June 30, 2019 and December 31, 2018, 10 and 21 of these fixed income securities had been in an unrealized loss position for 12 months or greater, respectively. As of June 30, 2019 and December 31, 2018, none of the fixed income securities were considered to be other-than-temporarily-impaired. The Company has the intent to hold these fixed income securities, and it is not more likely than not that the Company will be required to sell these fixed income securities before their fair values recover above the adjusted cost. The unrealized losses from these fixed income securities were not a result of credit, collateral or structural issues.

#### *Other-Than-Temporary Impairment Process*

The Company assesses whether declines in the fair value of its fixed maturity investments classified as available-for-sale represent impairments that are other-than-temporary by 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 June 30, 2019. 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.

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 fixed income investment 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 June 30, 2019 and December 31, 2018, relating to 13 and 35 fixed maturity securities, amounted to \$15,245 and \$226,369, respectively. The unrealized losses on these available for sale fixed maturity securities were not as a result of credit, collateral or structural issues. During the six months ended and three months ended June 30, 2019, no other-than-temporary impairment charges were recorded.

### ***Fair Value of Investments***

Under existing U.S. GAAP, 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 Accounting Standards Codification ("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 inputs that are 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.
- **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 and liabilities 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.
- **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 June 30, 2019 and December 31, 2018 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 classified as Level 2 in the fair value hierarchy. AmerInst considers a liquid market to exist for these 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 classified as Level 2 in the fair value hierarchy. AmerInst considers a liquid market to exist for these 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 classified as Level 2 in the fair value hierarchy. AmerInst considers a liquid market to exist for these 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 classified as Level 1 in the fair value hierarchy. AmerInst receives prices based on closing exchange prices from independent pricing sources to measure fair values for the equities.

While we obtain pricing from independent pricing services, management is ultimately responsible for determining the fair value measurements for all securities. To ensure fair value measurement is applied consistently and in accordance with U.S. GAAP, we periodically update our understanding of the pricing methodologies used by the independent pricing services. We also undertake further analysis with respect to prices we believe may not be representative of fair value under current market conditions. Our review process includes, but is not limited to: (i) initial and ongoing evaluation of the pricing methodologies and valuation models used by outside parties to calculate fair value; (ii) quantitative analysis; (iii) a review of multiple quotes obtained in the pricing process and the range of resulting fair values for each security, if available, and (iv) randomly selecting purchased or sold securities and comparing the executed prices to the fair value estimates provided by the independent pricing sources.

There have been no material changes to our valuation techniques from what was used as of December 31, 2018. Since the fair value of a security is an estimate of what a willing buyer would pay for such security if we sold it, we cannot know the ultimate value of our securities until they are sold. We believe the valuation techniques utilized provide us with a reasonable estimate of the price that would be received if we were 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 ASC 820 as of June 30, 2019 and December 31, 2018:

|  | 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) |
| <b>As of June 30, 2019</b>                           |                 |                  |   |   |   |
| U.S. government agency securities                    | \$ 4,731,471    | \$ 4,731,471     | \$ —                                      | \$ 4,731,471                                  | \$ —                                      |
| Obligations of U.S. state and political subdivisions | 2,442,244       | 2,442,244        |   | 2,442,244                                     |   |
| Corporate debt securities                            | 7,118,893       | 7,118,893        |   | 7,118,893                                     |   |
| Total fixed maturity investments                     | 14,292,608      | 14,292,608       |   |   |   |
| Equity securities                                    | 15,940,845      | 15,940,845       | 15,940,845                                |   |   |
| Total equity securities                              | 15,940,845      | 15,940,845       |   |   |   |
| Total investments                                    | \$30,233,453    | \$30,233,453     | \$15,940,845                              | \$ 14,292,608                                 | \$ —                                      |

|  | 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) |
| <b>As of December 31, 2018</b>                       |                 |                  |   |   |   |
| U.S. government agency securities                    | \$ 6,673,732    | \$ 6,673,732     | \$ —                                      | \$ 6,673,732                                  | \$ —                                      |
| Obligations of U.S. state and political subdivisions | 1,902,940       | 1,902,940        |   | 1,902,940                                     |   |
| Corporate debt securities                            | 6,011,408       | 6,011,408        |   | 6,011,408                                     |   |
| Total fixed maturity investments                     | 14,588,080      | 14,588,080       |   |   |   |
| Equity securities                                    | 13,445,226      | 13,445,226       | 13,445,226                                |   |   |
| Total equity securities                              | 13,445,226      | 13,445,226       |   |   |   |
| Total investments                                    | \$28,033,306    | \$28,033,306     | \$13,445,226                              | \$ 14,588,080                                 | \$ —                                      |

There were no transfers between Levels 1 and 2 during the six months ended June 30, 2019 and the year ended December 31, 2018.

### Contractual Maturities

The cost or amortized cost and estimated fair value of fixed maturity investments as of June 30, 2019 and December 31, 2018 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<br>Cost   | Estimated<br>Fair Value |
|--|---------------------|-------------------------|
| <b>June 30, 2019</b>                   |                     |                         |
| Due in one year or less                | \$ 3,401,435        | \$ 3,406,713            |
| Due after one year through five years  | 10,329,102          | 10,372,185              |
| Due after five years through ten years | 513,658             | 513,710                 |
| Total                                  | <u>\$14,244,195</u> | <u>\$14,292,608</u>     |
| <b>December 31, 2018</b>               |                     |                         |
| Due in one year or less                | \$ 4,434,013        | \$ 4,429,510            |
| Due after one year through five years  | 9,851,410           | 9,644,270               |
| Due after five years through ten years | 521,004             | 514,300                 |
| Total                                  | <u>\$14,806,427</u> | <u>\$14,588,080</u>     |

Information on sales and maturity of investments and net unrealized gains (losses) on equity investments during the six months ended June 30, 2019 and 2018 are as follows:

|  | June 30,<br>2019   | June 30,<br>2018  |
|--|--------------------|-------------------|
| Total proceeds on sales of available-for-sale securities     | \$1,802,726        | \$2,930,138       |
| Proceeds from redemptions of hedge fund investments          | —                  | 3,085             |
| Total proceeds from maturities of fixed maturity investments | 2,250,000          | 1,970,000         |
| Gross gains on sales   | 522,735            | 1,312,844         |
| Gross losses on sales  | (93,604)           | (616)             |
| Net unrealized gains (losses) on equity investments          | 2,094,166          | (983,942)         |
| Total  | <u>\$2,523,297</u> | <u>\$ 328,286</u> |

Information on sales and maturity of investments and net unrealized gains (losses) on equity investments during the three months ended June 30, 2019 and 2018 are as follows:

|  | June 30,<br>2019  | June 30,<br>2018  |
|--|-------------------|-------------------|
| Total proceeds on sales of available-for-sale securities     | \$1,627,022       | \$1,915,767       |
| Proceeds from redemptions of hedge fund investments          | —                 | 3,085             |
| Total proceeds from maturities of fixed maturity investments | 1,000,000         | 1,970,000         |
| Gross gains on sales   | 484,667           | 661,776           |
| Gross losses on sales  | (81,058)          | (596)             |
| Net unrealized gains (losses) on equity investments          | 372,363           | (171,834)         |
| Total  | <u>\$ 775,972</u> | <u>\$ 489,346</u> |

### Net Investment Income

Major categories of net investment income during the six months ended June 30, 2019 and 2018 are summarized as follows:

|  | June 30,<br>2019 | June 30,<br>2018 |
|--|------------------|------------------|
| Interest earned:                                     |                  |                  |
| Fixed maturity investments                           | \$171,885        | \$165,599        |
| Short term investments and cash and cash equivalents | 35,874           | 5,589            |
| Dividends earned                                     | 93,972           | 76,070           |
| Investment expenses                                  | (72,079)         | (71,565)         |
| Net investment income                                | <u>\$229,652</u> | <u>\$175,693</u> |

Major categories of net investment income during the three months ended June 30, 2019 and 2018 are summarized as follows:

|  | June 30,<br>2019 | June 30,<br>2018 |
|--|------------------|------------------|
| Interest earned:                                     |                  |                  |
| Fixed maturity investments                           | \$ 87,862        | \$ 81,969        |
| Short term investments and cash and cash equivalents | 18,274           | 3,248            |
| Dividends earned                                     | 46,495           | 38,804           |
| Investment expenses                                  | (46,021)         | (36,797)         |
| Net investment income                                | <u>\$106,610</u> | <u>\$ 87,224</u> |

### 3. LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table presents a reconciliation of the beginning and ending balances for the liability for unpaid losses and loss adjustment expenses for the six months ended June 30, 2019 and 2018:

|                             | June 30,<br>2019    | June 30,<br>2018    |
|-----------------------------|---------------------|---------------------|
| Liability—beginning of year | \$12,989,260        | \$11,228,507        |
| Incurred related to:        |                     |                     |
| Current year                | 3,408,388           | 3,012,715           |
| Prior years                 | —                   | —                   |
| Total incurred              | <u>3,408,388</u>    | <u>3,012,715</u>    |
| Paid related to:            |                     |                     |
| Current year                | (94,416)            | (227,787)           |
| Prior years                 | (2,308,015)         | (2,182,393)         |
| Total paid                  | <u>(2,402,431)</u>  | <u>(2,410,180)</u>  |
| Liability—end of year       | <u>\$13,995,217</u> | <u>\$11,831,042</u> |

As incurred losses for the six months ended June 30, 2019 are derived by multiplying our estimated loss ratio of 64.0% and the net premiums earned, as stated in Results of Operations below, all incurred losses are assumed to be current year losses.

#### 4. SEGMENT INFORMATION

AmerInst has two reportable segments: (1) reinsurance activity, which also includes investments and other activities, and (2) insurance activity, which offers professional liability solutions to professional service firms under the Agency Agreement with C&F, as defined in the “Overview” section below.

The tables below summarize the results of our reportable segments as of and for the six months ended June 30, 2019 and 2018.

|                           | As of and for the Six Months Ended June 30, 2019 |                   |               |
|---------------------------|--|-------------------|---------------|
|                           | Reinsurance Segment                              | Insurance Segment | Total         |
| Revenues                  | \$ 8,052,556                                     | \$ 2,971,490      | \$ 11,024,046 |
| Total losses and expenses | 6,121,178  | 2,721,713         | 8,842,891     |
| Segment income            | 1,931,378  | 249,777           | 2,181,155     |
| Identifiable assets       | —  | 1,056,273         | 1,056,273     |

|                           | As of and for the Six Months Ended June 30, 2018 |                   |              |
|---------------------------|--|-------------------|--------------|
|                           | Reinsurance Segment                              | Insurance Segment | Total        |
| Revenues                  | \$ 5,172,943                                     | \$ 2,759,123      | \$ 7,932,066 |
| Total losses and expenses | 5,476,206  | 2,623,291         | 8,099,497    |
| Segment (loss) income     | (303,263)  | 135,832           | (167,431)    |
| Identifiable assets       | —  | 434,451           | 434,451      |

The tables below summarize the results of our reportable segments as of and for the three months ended June 30, 2019 and 2018.

|                           | As of and for the Three Months Ended June 30, 2019 |                   |              |
|---------------------------|--|-------------------|--------------|
|                           | Reinsurance Segment                                | Insurance Segment | Total        |
| Revenues                  | \$ 3,731,115                                       | \$ 1,403,177      | \$ 5,134,292 |
| Total losses and expenses | 3,287,517  | 1,335,331         | 4,622,848    |
| Segment income            | 443,598  | 67,846            | 511,444      |
| Identifiable assets       | —  | 1,056,273         | 1,056,273    |

|                           | As of and for the Three Months Ended June 30, 2018 |                   |              |
|---------------------------|--|-------------------|--------------|
|                           | Reinsurance Segment                                | Insurance Segment | Total        |
| Revenues                  | \$ 3,111,320                                       | \$ 1,329,182      | \$ 4,440,502 |
| Total losses and expenses | 2,965,285  | 1,327,481         | 4,292,766    |
| Segment income            | 146,035  | 1,701             | 147,736      |
| Identifiable assets       | —  | 434,451           | 434,451      |

#### 5. STOCK COMPENSATION

##### Phantom Shares:

Protexure Insurance Agency, Inc. (“Protexure”) (formerly AmerInst Professional Services, Limited), a subsidiary of AmerInst, has 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 an aggregate of 75,018 phantom shares of the Company on the date of their employment, subject to certain vesting requirements. The phantom shares are eligible for phantom dividends payable 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 of the end of the previous quarter. During the six months and three months ended June 30, 2019, 1,397 phantom shares were granted, arising from the dividends declared on the Company’s common shares. 89,033 phantom shares were outstanding at June 30, 2019.

For three of these employees, the phantom shares initially granted, as well as any additional shares granted from dividends declared, vested on January 1, 2015. For the fourth employee, the phantom shares initially granted, as well as any additional shares granted from dividends declared, vested on January 1, 2018. The liability payable to each of these employees under the phantom share agreements is equal to 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 value of phantom shares initially granted and is payable in cash upon the earlier of the employee attaining 65 years of age or within 60 days of such employee's death or permanent disability.

The liability relating to these phantom shares is recalculated quarterly based on the net book value of our common shares at the end of each quarter. As a result of the overall decrease in the net book value of our common shares since the grant dates, we have not recorded any liability relating to these phantom shares at June 30, 2019.

#### Stock Option Plan:

The Company has a nonqualified stock option plan to advance the development, growth and financial condition of the Company. This plan provides incentives through participation in the appreciation of its common stock in order to secure, retain and motivate directors and employees and align such person's interests with those of its shareholders. A total of 100,000 shares are authorized under the stock option plan.

A summary of the status of the stock option plan as of June 30, 2019 is as follows:

|  | Vested<br>Shares | Weighted<br>Average<br>Exercise<br>Price Per<br>Share | Non-vested<br>Shares | Weighted<br>Average<br>Exercise<br>Price Per<br>Share | Total<br>Shares | Weighted<br>Average<br>Exercise<br>Price Per<br>Share |
|--|------------------|---|----------------------|---|-----------------|---|
| <b>Outstanding—January 1, 2019</b>                                       | 7,000            | \$ 27.99  | 40,000               | \$ 28.71  | 47,000          | \$ 28.60  |
| Granted  | —                | —   | —                    | —   | —               | —   |
| Forfeited  | —                | —   | —                    | —   | —               | —   |
| Exercised  | —                | —   | —                    | —   | —               | —   |
| Vested   | 8,400            | 28.42   | (8,400)              | 28.42   | —               | —   |
| <b>Outstanding—June 30, 2019</b>   | 15,400           | \$ 28.23  | 31,600               | \$ 28.79  | 47,000          | \$ 28.60  |
| Options exercisable at year end  | —                | —   | —                    | —   | —               | —   |
| Weighted average fair value of options per share granted during the year | —                | —   | \$ —                 | —   | \$ —            | —   |
| Remaining contractual life (years)                                       | 3.6              |   | 4.0                  |   | 3.9             |   |

A summary of the status of the stock option plan as of December 31, 2018 is as follows:

|  | Vested<br>Shares | Weighted<br>Average<br>Exercise<br>Price Per<br>Share | Non-vested<br>Shares | Weighted<br>Average<br>Exercise<br>Price Per<br>Share | Total<br>Shares | Weighted<br>Average<br>Exercise<br>Price Per<br>Share |
|--|------------------|---|----------------------|---|-----------------|---|
| <b>Outstanding—January 1, 2018</b>                                       | —                | —   | 35,000               | \$ 27.99  | 35,000          | \$ 27.99  |
| Granted  | —                | —   | 12,000               | 30.40   | 12,000          | 30.40   |
| Forfeited  | —                | —   | —                    | —   | —               | —   |
| Exercised  | —                | —   | —                    | —   | —               | —   |
| Vested   | 7,000            | 27.99   | (7,000)              | 27.99   | —               | —   |
| <b>Outstanding—December 31, 2018</b>                                     | 7,000            | \$ 27.99  | 40,000               | \$ 28.71  | 47,000          | \$ 28.60  |
| Options exercisable at year end  | —                | —   | —                    | —   | —               | —   |
| Weighted average fair value of options per share granted during the year | —                | —   | \$ —                 | —   | \$ —            | —   |
| Remaining contractual life (years)                                       | 4.0              |   | 4.4                  |   | 4.4             |   |

The Company accounts for these options in accordance with GAAP, which requires that the fair value of the equity awards be recognized as compensation expense over the period during which the employee is required to provide service in exchange for such an award. The Company is amortizing compensation expense over the vesting period, or five years. The Company recognized \$36,266 and \$70,280 of compensation expense for stock options for the six months ended June 30, 2019 and for the year ended December 31, 2018, respectively.

## **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 condensed 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," "could," "should," "would," "estimate," "anticipate," "intend," "plan," "target," "goal" 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 2018 Annual Report on 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 Commission 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" of our 2018 Annual Report on Form 10-K or discussed in this Quarterly Report on 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. "Protexure" means Protexure Insurance Agency, Inc., a Delaware corporation and wholly owned subsidiary of AmerInst Mezco, Ltd. which is a wholly owned subsidiary of AmerInst. "Investco" means AmerInst Investment Company, Ltd., a wholly owned subsidiary of AMIC Ltd. Our principal offices are c/o Citadel Management Bermuda Limited, 25 Church Street, Continental Building, P.O. Box HM 1601, Hamilton, Bermuda, HM GX.

AmerInst Insurance Group, Ltd. is a Bermuda holding company formed in 1998 that provides insurance protection for professional service firms and engages in investment activities. AmerInst has two reportable segments: (1) reinsurance activity, which includes investments and other activities, and (2) insurance activity, which offers professional liability solutions to professional service firms. The revenues of the reinsurance activity reportable segment and the insurance activity reportable segment were \$8,052,556 and \$2,971,490, respectively, for the six months ended June 30, 2019 compared to \$5,172,943 and \$2,759,123, respectively, for the six months ended June 30, 2018. The revenues for both reportable segments were derived from business operations in the United States other than interest income on bank accounts maintained in Bermuda.

#### ***Entry into Agency Agreement***

On September 25, 2009, Protexure 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 Protexure 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 in all 50 states of the United States and the District of Columbia. The initial term of the Agency Agreement was for four years with automatic one-year renewals thereafter. The Agency Agreement automatically renewed on September 25, 2018.

### ***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 agreed to cede, and AMIC Ltd. agreed to accept as reinsurance, a 50% quota share of C&F's liability under insurance written by Protexure 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 term of the Reinsurance Agreement is continuous and may be terminated by either party upon at least 120 days' prior written notice to the other party.

### ***Third-party Managers and Service Providers***

Citadel Management Bermuda Limited (formerly Cedar Management Limited) provides the day-to-day services necessary for the administration of our business. Our agreement with Citadel Management Bermuda Limited renewed for one year beginning January 1, 2019 and ending December 31, 2019. Mr. Thomas R. McMahon, our Treasurer and Chief Financial Officer, is a shareholder, officer, director and employee of Citadel Management Bermuda Limited. Mr. Stuart Grayston, our President, was formerly a director and officer of Cedar Management Limited.

The Country Club Bank of Kansas City, Missouri, provides portfolio management of fixed-income securities and directs our investments pursuant to guidelines approved by us. Harris Associates L.P. and Tower Wealth Managers, Inc. provide discretionary investment advice with respect to our equity investments. We have retained Oliver Wyman, an independent casualty actuarial consulting firm, to render advice regarding actuarial matters.

## **RESULTS OF OPERATIONS**

### **Six months ended June 30, 2019 compared to six months ended June 30, 2018**

We recorded net income of \$2,181,155 for the six months ended June 30, 2019 compared to a net loss of \$167,431 for the same period in 2018. The increase in net income was mainly attributable to the increase in net realized and unrealized gains on investments of \$2,195,011 (from \$328,286 for the six months ended June 30, 2018 to \$2,523,297 for the six months ended June 30, 2019) and to the increase in commission income of \$188,279 (from \$2,757,209 for the six months ended June 30, 2018 to \$2,945,488 for the six months ended June 30, 2019) as a result of a higher volume of premiums written under the Agency Agreement. This was partially offset by the increase in operating and management expenses of \$143,898 (from \$3,358,633 for the six months ended June 30, 2018 to \$3,502,531 for the six months ended June 30, 2019), as discussed in further detail below.

Our net premiums earned for the six months ended June 30, 2019 were \$5,325,609 compared to \$4,670,878 for the six months ended June 30, 2018, an increase of \$654,731 or 14%. The net premiums earned for the six months ended June 30, 2019 and 2018 were attributable to cessions from C&F under the Reinsurance Agreement. The increase in net premiums earned under the Reinsurance Agreement during the first six months of 2019 compared to the same period in 2018 resulted from increased cessions from C&F in 2019, arising from a higher level of underwriting activity under the Agency Agreement due to the continued marketing of the program by Protexure which resulted in greater penetration in targeted markets.

During the six months ended June 30, 2019 and 2018, we recorded commission income under the Agency Agreement of \$2,945,488 and \$2,757,209, respectively, an increase of \$188,279 or 6.8%. This increase resulted from a higher volume of premiums written under the Agency Agreement in 2019 due to the continued marketing of the program by Protexure which resulted in greater penetration in the targeted markets.

We recorded net investment income of \$229,652 for the six months ended June 30, 2019 compared to \$175,693 for the six months ended June 30, 2018. The increase in net investment income was attributable to higher yielding fixed income securities held in the Company's investment portfolio during the first six months of 2019 compared to the same period in 2018 and to certain higher yielding equity securities held in our investment portfolio during the first six months of 2019 compared to the same period in 2018. The annualized investment yield, calculated as total interest and dividends divided by the net average amount of total investments and cash and cash equivalents, was 1.3% for the six months ended June 30, 2019, compared to the 1.0% yield earned for the six months ended June 30, 2018.

We recorded net realized and unrealized gains on investments of \$2,523,297 during the six months ended June 30, 2019 compared to net realized gains of \$328,286 during the six months ended June 30, 2018, an increase of \$2,195,011 or 668.6%. The increase was primarily related to the increase in the fair value of our equity investments of \$2,094,166 during the first six months ended June 30, 2019, which was attributable to favorable market conditions.

For the six months ended June 30, 2019, we recorded loss and loss adjustment expenses of \$3,408,388 derived by multiplying our estimated loss ratio of 64.0% and the net premiums earned under the Reinsurance Agreement of \$5,325,609. For the six months ended June 30, 2018, we recorded loss and loss adjustment expenses of \$3,012,715 derived by multiplying our estimated loss ratio of 64.5% and the net premiums earned under the Reinsurance Agreement of \$4,670,878. The increase in loss and loss adjustment expense was primarily due to an increase in net premiums earned during the first six months of 2019 compared to the corresponding period in 2018, partially offset by a reduction of our estimated loss ratio. The decrease in the estimated loss ratio was primarily the result of better than expected loss emergence in accident years 2015 and 2016.

We recorded policy acquisition costs of \$1,970,658 for the six months ended June 30, 2019 compared to \$1,728,149 for the same period in 2018. Policy acquisition costs, which are primarily ceding commissions paid to the ceding insurer, are established as a percentage of premiums earned. Therefore, any increase or decrease in premiums earned will result in a similar increase or decrease in policy acquisition costs. The policy acquisition costs recorded during the six months ended June 30, 2019 and 2018 were 37% of the net premiums earned under the Reinsurance Agreement of \$5,325,609 and \$4,670,878, respectively.

We expensed operating and management expenses of \$3,502,531 for the six months ended June 30, 2019 compared to \$3,358,633 for the same period in 2018, an increase of \$143,898 or 4.3%. The increase was primarily attributable to increased salaries and related costs associated with Protexure's hiring of additional personnel during 2019 and the last six months of 2018 and to increased net commissions paid to outside brokers in association with the Agency Agreement as a result of higher volume of premiums obtained from outside brokers during 2019 compared to 2018.

We recorded an income tax benefit of \$38,686 for the six months ended June 30, 2019 compared to \$0 for the same period in 2018. At December 31, 2018, management believed there was sufficient evidence to support the reversal of the full valuation allowance against Protexure's deferred tax assets. The release of this allowance has resulted in the recognition of Protexure's deferred tax assets and to the recording of income tax benefits.

The tables below summarize the results of the following AmerInst reportable segments: (1) reinsurance activity, which also includes investments and other activities, and (2) insurance activity, which offers professional liability solutions to professional service firms under the Agency Agreement with C&F.

|                           | <b>As of and for the Six Months Ended June 30, 2019</b> |                          |               |
|---------------------------|---|--------------------------|---------------|
|                           | <b>Reinsurance Segment</b>                              | <b>Insurance Segment</b> | <b>Total</b>  |
| Revenues                  | \$ 8,052,556  | \$ 2,971,490             | \$ 11,024,046 |
| Total losses and expenses | 6,121,178   | 2,721,713                | 8,842,891     |
| Segment income            | 1,931,378   | 249,777                  | 2,181,155     |
| Identifiable assets       | —   | 1,056,273                | 1,056,273     |

  

|                           | <b>As of and for the Six Months Ended June 30, 2018</b> |                          |              |
|---------------------------|---|--------------------------|--------------|
|                           | <b>Reinsurance Segment</b>                              | <b>Insurance Segment</b> | <b>Total</b> |
| Revenues                  | \$ 5,172,943  | \$ 2,759,123             | \$ 7,932,066 |
| Total losses and expenses | 5,476,206   | 2,623,291                | 8,099,497    |
| Segment (loss) income     | (303,263)   | 135,832                  | (167,431)    |
| Identifiable assets       | —   | 434,451                  | 434,451      |

### Three months ended June 30, 2019 compared to three months ended June 30, 2018

We recorded a net income of \$511,444 for the three months ended June 30, 2019 compared to net income of \$147,736 for the same period in 2018. The increase in net income was mainly attributable to the increase in net realized and unrealized gains on investments of \$286,626 (from a \$489,346 gain for the three months ended June 30, 2018 to a \$775,972 gain for the three months ended June 30, 2019), which is attributable to favorable market conditions and to the increase in commission income of \$61,455 (from \$1,328,229 for the three months ended June 30, 2018 to \$1,389,684 for the three months ended June 30, 2019) as a result of a higher volume of premiums written under the Agency Agreement. This was partially offset by the increase in operating and management expenses of \$51,922 (from \$1,718,967 for the three months ended June 30, 2018 to \$1,770,889 for the three months ended June 30, 2019), as discussed in further detail below.

Our net premiums earned for the second quarter of 2019 were \$2,862,026 compared to \$2,535,703 for the second quarter of 2018, an increase of \$326,323 or 12.9%. The net premiums earned during the quarters ended June 30, 2019 and 2018 were attributable to cessions from C&F under the Reinsurance Agreement. The increased cessions arose from a higher level of underwriting activity under the Agency Agreement due to the continued marketing of the program by Protexure, which resulted in increased penetration in targeted markets.

For the quarters ended June 30, 2019 and 2018, we recorded commission income under the Agency Agreement of \$1,389,684 and \$1,328,229, respectively, an increase of \$61,455 or 4.6%. This increase resulted from a higher volume of premiums written under the Agency Agreement in 2019, as referred to above.

We recorded net investment income of \$106,610 for the quarter ended June 30, 2019 compared to \$87,224 for the quarter ended June 30, 2018. The increase in net investment income was attributable to higher yielding fixed income securities held in the Company's investment portfolio during the second quarter of 2019 compared to the same period in 2018 and to certain higher yielding equity securities held in our investment portfolio during the second quarter of 2019 compared to the same period in 2018. The annualized investment yield, calculated as total interest and dividends divided by the net average amount of total investments and cash and cash equivalents, was 1.2% for the quarter ended June 30, 2019, compared to the 1.0% yield earned for the quarter ended June 30, 2018.

We recorded net realized and unrealized gains on investments of \$775,972 during the quarter ended June 30, 2019 compared to net realized and unrealized gains of \$489,346 during the quarter ended June 30, 2018, an increase of \$286,626 or 58.6%. The increase was primarily related to the increase in the fair value of our equity investments of \$372,363 during the quarter ended June 30, 2019, which was attributable to favorable market conditions.

For the quarter ended June 30, 2019, we recorded loss and loss adjustment expenses of \$1,831,695 derived by multiplying our estimated loss ratio of 64.0% and the net premiums earned under the Reinsurance Agreement of \$2,862,026. For the quarter ended June 30, 2018, we recorded loss and loss adjustment expenses of \$1,635,527 derived by multiplying our estimated loss ratio of 64.5% and the net premiums earned under the Reinsurance Agreement of \$2,535,703. The increase in loss and loss adjustment expense was primarily due to an increase in net premiums earned during the quarter ended June 30, 2019 compared to the corresponding period in 2018, partially offset by a reduction of our estimated loss ratio. The decrease in the estimated loss ratio was primarily the result of better than expected loss emergence in accident years 2015 and 2016.

We recorded policy acquisition costs of \$1,058,950 in the second quarter of 2019 compared to \$938,272 for the same period in 2018. Policy acquisition costs, which are primarily ceding commissions paid to the ceding insurer, are established as a percentage of premiums earned. Therefore, any increase or decrease in premiums earned will result in a similar increase or decrease in policy acquisition costs. The policy acquisition costs recorded during the second quarter of 2019 and 2018 were 37% of the net premiums earned under the Reinsurance Agreement of \$2,862,026 and \$2,535,703, respectively.

We incurred operating and management expenses of \$1,770,889 in the second quarter 2019 compared to \$1,718,967 for the same period in 2018, an increase of \$51,922 or 3%. The increase was primarily attributable to increased salaries and related costs associated with Protexure's hiring of additional personnel during 2019 and 2018.

We recorded an income tax benefit of \$38,686 for the quarter ended June 30, 2019 compared to \$0 for the same period in 2018. At December 31, 2018, management believed there was sufficient evidence to support the reversal of the full valuation allowance against Protexure's deferred tax assets. The release of this allowance has resulted in the recognition of Protexure's deferred tax assets and to the recording of income tax benefits.

The tables below summarize the results of the following AmerInst reportable segments: (1) reinsurance activity, which also includes investments and other activities, and (2) insurance activity, which offers professional liability solutions to professional service firms under the Agency Agreement with C&F.

|                           | <b>As of and for the Three Months Ended June 30, 2019</b> |                          |              |
|---------------------------|---|--------------------------|--------------|
|                           | <b>Reinsurance Segment</b>                                | <b>Insurance Segment</b> | <b>Total</b> |
| Revenues                  | \$ 3,731,115  | \$ 1,403,177             | \$ 5,134,292 |
| Total losses and expenses | 3,287,517   | 1,335,331                | 4,622,848    |
| Segment income            | 443,598   | 67,846                   | 511,444      |
| Identifiable assets       | —   | 1,056,273                | 1,056,273    |

  

|                           | <b>As of and for the Three Months Ended June 30, 2018</b> |                          |              |
|---------------------------|---|--------------------------|--------------|
|                           | <b>Reinsurance Segment</b>                                | <b>Insurance Segment</b> | <b>Total</b> |
| Revenues                  | \$ 3,111,320  | \$ 1,329,182             | \$ 4,440,502 |
| Total losses and expenses | 2,965,285   | 1,327,481                | 4,292,766    |
| Segment income            | 146,035   | 1,701                    | 147,736      |
| Identifiable assets       | —   | 434,451                  | 434,451      |

## FINANCIAL CONDITION

As of June 30, 2019, our total investments were \$30,233,453, an increase of \$2,200,147 or 7.8%, from \$28,033,306 at December 31, 2018. This increase was primarily due to the increase in the fair value of certain equity securities as a result of favorable market conditions. The cash and cash equivalents balance increased from \$5,498,914 at December 31, 2018 to \$6,240,755 at June 30, 2019, an increase of \$741,841 or 13.5%. The amount of cash and cash equivalents varies depending on the maturities of fixed term investments and the level of funds invested in money market funds. The restricted cash and cash equivalents balance increased from \$472,132 at December 31, 2018 to \$584,558 at June 30, 2019, an increase of \$112,426 or 23.8%. The increase was due to the timing of sales and maturities of investments held as restricted cash at June 30, 2019 that have not been reinvested. The ratio of cash, total investments and other invested assets to total liabilities at June 30, 2019 was 1.34:1, compared to a ratio of 1.30:1 at December 31, 2018.

The assumed reinsurance balances receivable represents the current assumed premiums receivable from the fronting carriers. As of June 30, 2019, the balance was \$2,749,710 compared to \$2,651,683 as of December 31, 2018. The increase resulted from a higher level of premiums assumed under the Reinsurance Agreement during 2019.

The assumed reinsurance payable represents current reinsurance losses payable and commissions payable to the fronting carriers. As of June 30, 2019, the balance was \$2,262,430 compared to \$2,171,767 as of December 31, 2018. This balance fluctuates due to the timing of losses reported to us.

Deferred policy acquisition costs, which represent the deferral of ceding commission expense related to premiums not yet earned, increased from \$1,869,368 at December 31, 2018 to \$2,116,112 at June 30, 2019. The increase in deferred policy acquisition costs in 2019 was due to the increase in both net premiums written and unearned premiums assumed under the Reinsurance Agreement compared to the prior year. The ceding commission rate under the Reinsurance Agreement is 37%.

Prepaid expenses and other assets were \$2,008,704 at June 30, 2019 compared to \$1,981,913 as of December 31, 2018. The balance primarily relates to (1) prepaid directors' and officers' liability insurance costs, (2) the directors' prepaid annual retainer, (3) prepaid professional fees and (4) premiums due to Protexure under the Agency Agreement. This balance fluctuates due to the timing of the prepayments and to the timing of the premium receipts by Protexure.

Accrued expenses and other liabilities primarily represent premiums payable by Protexure to C&F under the Agency Agreement and expenses accrued relating largely to professional fees. The balance decreased from \$5,934,408 at December 31, 2018 to \$5,709,748 at June 30, 2019, a decrease of \$224,660 or 3.8%. This balance fluctuates due to the timing of the premium payments to C&F and payments of professional fees.

## LIQUIDITY AND CAPITAL RESOURCES

Our cash needs consist of settlement of losses and expenses under our reinsurance treaties and funding day-to-day operations. In continuing the implementation of our business plan, our management expects to meet these cash needs from cash flows arising from our investment portfolio. Because substantially all of our assets are marketable securities, we expect that we will have sufficient flexibility to provide for unbudgeted cash needs that may arise from time to time without resorting to borrowing, subject to Bermuda statutory limitations as discussed in our 2018 Form 10-K.

Total cash, investments and other invested assets increased from \$34,004,352 at December 31, 2018 to \$37,058,766 at June 30, 2019, an increase of \$3,054,414 or 9%. The net increase resulted primarily from favorable market conditions and positive cash inflows derived from net investment activities and net premiums received under the Reinsurance Agreement in the amount of \$1,365,950.

The Bermuda Monetary Authority has authorized Investco to purchase our common shares, on a negotiated basis, from shareholders who have died or retired from the practice of public accounting. During the six months ended June 30, 2019, no such transactions occurred. From inception through June 30, 2019, Investco had repurchased 217,661 common shares from shareholders who had died or retired for a total purchase price of \$6,186,730. From time to time, Investco has also purchased shares in privately negotiated transactions. From inception through June 30, 2019, Investco had purchased an additional 75,069 common shares in such privately negotiated transactions for a total purchase price of \$1,109,025. During the six months ended June 30, 2019, no such transactions occurred.

## **Cash Dividends**

During the second quarter of 2019, we declared a dividend of \$0.50 per share to be paid to our shareholders on or before December 1, 2019, which amounted to total ordinary cash dividends of \$352,459. The dividends to be paid in 2019 have been reduced by \$26,768, which represents a write-back of uncashed dividends issued prior to 2014 to shareholders that we have been unable to locate. Since we began paying dividends in 1995, our original shareholders have received \$22.87 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 8.6% from our inception, based on a per share purchase price of \$8.33 paid by the original shareholders, and using an unaudited net book value of \$31.90 per share as of June 30, 2019. Although we have paid cash dividends on a regular basis in the past, the declaration and payment of cash dividends in the future will be at the discretion of our board of directors, subject to the requirements of applicable law, and will depend on, among other things, our financial condition, results of operations, current and anticipated cash needs and other factors that our board of directors considers relevant.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off-balance sheet arrangements.

## **CRITICAL ACCOUNTING POLICIES**

Our 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, 2018 and is incorporated herein by reference.

We have identified accounting for the liability for losses and loss adjustment expenses as our most critical accounting policy and estimate in that it is important to the portrayal of our financial condition and results, and it requires our subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. This accounting policy, including the nature of the estimates and types of assumptions used, are described throughout this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018.

## **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](http://www.sec.gov).

Our internet site is [www.amerinst.bm](http://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](http://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 Citadel Management Bermuda Limited, 25 Church Street, Continental Building, P.O. Box HM 1601 Hamilton, Bermuda HM GX, Attention: Investor Relations (441) 295-6015. The information on our internet site is not incorporated by reference into this report.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

As of June 30, 2019, the end of the period covered by this Form 10-Q, our management, including our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer each concluded that as of June 30, 2019, the end of the period covered by this Form 10-Q, we maintained effective disclosure controls and procedures.

*Changes in Internal Control over Financial Reporting*

Our management, including our Principal Executive Officer and Principal Financial Officer, has reviewed our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). There have been no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II—OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are party to various legal proceedings generally arising in the normal course of our business. While any proceeding contains an element of uncertainty, we do not believe that the eventual outcome of any litigation or arbitration proceeding to which we are presently a party will have a material adverse effect on our financial condition or business. Pursuant to our insurance and reinsurance agreements, disputes are generally required to be finally settled by arbitration.

**Item 1A. Risk Factors**

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our 2018 Annual Report on Form 10-K, as updated in our subsequent quarterly reports. The risks described in our 2018 Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits

| <u>Exhibit Number</u> | <u>Description</u>  |
|-----------------------|---|
| 31.1                  | <a href="#"><u>Certification of Stuart H. Grayston pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>   |
| 31.2                  | <a href="#"><u>Certification of Thomas R. McMahon pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>  |
| 32.1                  | <a href="#"><u>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.</u></a> |
| 32.2                  | <a href="#"><u>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.</u></a>  |
| 101.INS               | XBRL Instance Document  |
| 101.SCH               | XBRL Taxonomy Extension Schema Document   |
| 101.CAL               | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.LAB               | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE               | XBRL Taxonomy Extension Presentation Linkbase Document  |
| 101.DEF               | XBRL Taxonomy Extension Definition Linkbase Document  |

## 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: August 12, 2019

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  
Chief Financial Officer (Principal Financial Officer, duly authorized to sign this Report in such capacity and on behalf of the Registrant)

**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)) and 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: August 12, 2019

/s/ STUART H. GRAYSTON  
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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)) and 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: August 12, 2019

/s/ THOMAS R. MCMAHON

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Thomas R. McMahon  
Chief Financial Officer (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 June 30, 2019 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)  
August 12, 2019

**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 June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas R. McMahon, Chief Financial Officer 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

Chief Financial Officer (Principal Financial Officer)

August 12, 2019