EXAMINATION REPORT

OF

ARCHITECTS & ENGINEERS INSURANCE COMPANY RRG

AS OF

DECEMBER 31, 2025

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF

ARCHITECTS & ENGINEERS INSURANCE COMPANY RRG

AS OF

DECEMBER 31, 2025

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 19th day of October, 2026

TABLE OF CONTENTS

SCOPE OF EXAMINATION 1
SUMMARY OF SIGNIFICANT FINDINGS 2
COMPANY HISTORY 3
CAPITALIZATION 4
DIVIDENDS 5
MANAGEMENT AND CONTROL 5
DIRECTORS 5
OFFICERS 6
CORPORATE RECORDS 6
INSURANCE HOLDING COMPANY SYSTEM 7
AGREEMENTS WITH AFFILIATES 7
TERRITORY AND PLAN OF OPERATION 8
REINSURANCE 8
FINANCIAL STATEMENTS 10
STATEMENT OF ASSETS 11
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS 12
STATEMENT OF INCOME 13
RECONCILIATION OF CAPITAL AND SURPLUS 14
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION 15
COMMENTS ON FINANCIAL STATEMENT ITEMS 15
SUBSEQUENT EVENTS 15
SUMMARY OF RECOMMENDATIONS 15

October 6, 2026

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 26.032, dated January 21, 2026, an examination has been made of the affairs, financial condition and management of

ARCHITECTS & ENGINEERS INSURANCE COMPANY RRG

hereinafter referred to as the Company or AEIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The administrative offices of the Company are located at 2056 Westings Avenue, Suite 20, Naperville, Illinois 60563.

SCOPE OF EXAMINATION

We have performed our examination of the Company. The last examination was conducted as of December 31, 2020 by the Delaware Department of Insurance (Department) and covered the period of January 1, 2017 through December 31, 2020. This examination covers the period of January 1, 2021 through December 31, 2025.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was organized and incorporated on July 8, 1987, as a stock insurance company under the captive insurance laws of the State of Delaware, specifically 18 *Del. C.* § 6906, with the designation as a risk retention group (RRG) as described under 18 *Del. C.* § 80 and pursuant to the federal Liability Risk Retention Act of 1986 (LRRA).

In accordance with the LRAA, all policyholders of the Company must also be shareholders, and a policyholder terminating coverage must relinquish all shares owned. The Company maintains a Shareholder Agreement (SA), originally effective January 4, 1988, and last amended and restated effective June 14, 2005, whereby the rights and obligations of each shareholder/policyholder are stipulated. The cost of each share is determined by the Company's Board of Directors (Board) and the redemption value is limited to the lessor of book value as determined from the annual audited financial statements of the Company or the amount paid for the shares in accordance with the SA.

As a condition of the Department's issuance of the Company's authority to begin operations, the Company agreed to not pay distributions to its shareholders except for shareholder redemptions made in accordance with the applicable provisions of the Company's SA until the Company achieved a capital and surplus amount of $15.0 million. The Company's SA limits the Company from fulfilling shareholder redemption requests until the Company has capital and surplus of at least $10.0 million and a ratio of capital and surplus to gross written premium as specified in the SA. Additionally, the SA grants the Company's Board authority to defer repayment of redeemed shares for an indefinite period as the Board may deem necessary to preserve the financial condition of the Company.

The Company began runoff in 2021, with the expectation of being completely run off by 2029. AEIC's 2022 and 2023 years of underwriting activity was limited to miscellaneous writing centered around mid-term policy changes and cancellations. This stage of runoff concluded in 2023 with AEIC no longer having unearned premium as of December 31, 2023, from 3-year policies which were in-force during the first 3-years of runoff. 2024 marked the beginning of the post-underwriting phase of AEIC's runoff. AEIC's balance sheet is well positioned to dispose of their obligations, while subsidizing continued operations, as claims are retired. Operational losses are not expected going forward, as AEIC begins the next phase of runoff, unwinding its claims portfolio.

Capitalization

The Company maintains three classes of stock including common capital stock, treasury stock and redeemable capital stock, as follows:

- The Company's Certificate of Incorporation authorizes the issue of 500,000 shares of common capital stock with a par value of $5.00 per share. As of December 31, 2025, the Company had 59,035 common shares issued and outstanding totaling $295,175 in common stock at par value. Of the total issued and outstanding, 33,778 or 100% of outstanding common shares are owned by AELC Risk Managers, LLC. The remaining 25,257 shares are included in the treasury stock associated with a share buy-back that occurred in 2021 and is discussed further below. As of December 31, 2025, the Company reported gross paid in and contributed surplus of $4,145,119.
- Consistent with AEIC's SA, the Board approved a share redemption totaling $1,805,856, which was comprised of $75,000 in cash and $1,730,856 in notes receivable as an

aggregate redemption price for AEIC member shares. This share redemption is included in the AEIC's Annual Statement as treasury stock.

- As of December 31, 2025, the Company held 29,310 shares of $5.00 par value redeemable capital stock with a total redemption value of $2,737,236. The redeemable capital stock is held for the benefit of former policyholders that relinquished shareholder interest in the Company upon termination of insurance coverage in accordance with the restrictions of the Company's SA. In accordance with the Company's SA, these shareholders are considered unsecured creditors of the Company. The redemption value of these shares is reported in the NAIC Annual Statement as an aggregate write-in for other than special surplus funds (provision for redeemable capital stock).

Dividends

The Company's Board did not approve or authorize any dividends during the exam period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company Certificate of Incorporation and bylaws, the business and affairs of the Company must be managed by, or under the direction of its Board. The Company's bylaws require its Board not to have less than three (3) or more than seven (7) directors.

Each director shall be elected to a one-year term which term shall expire at the annual meeting of stockholders following such director's election. Directors duly elected and serving as of December 31, 2025, were as follows:

Name	Title
Mitchell Sellett	President, Chief Executive Officer and Board Chairman Architects and Engineers Insurance Company RRG
George Cannon	Director, Vice President and Treasurer Architects and Engineers Insurance Company RRG
Joseph Kelly	Director Architects and Engineers Insurance Company RRG

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a Chairman of the Board, a President, a Vice-President, a Secretary and a Treasurer. The Board may also elect additional Vice-Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person. The primary officers serving as of December 31, 2025, were are follows:

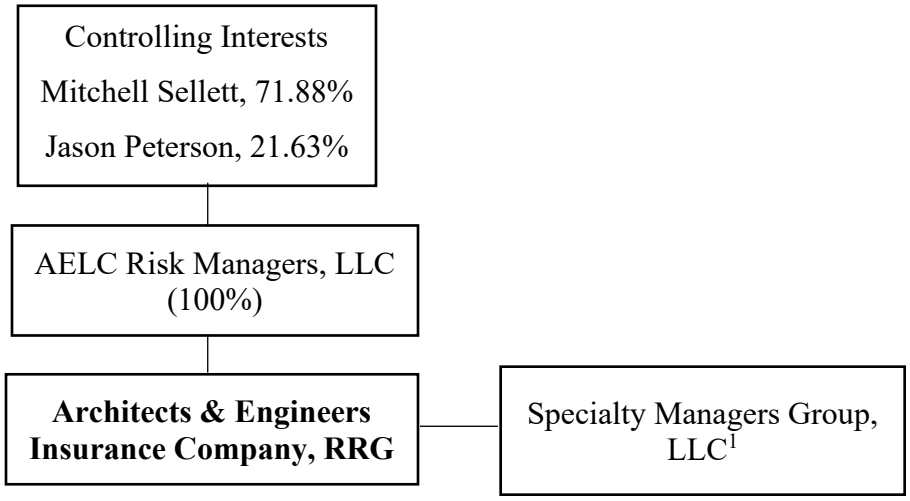
Name	Title
Mitchell Sellett	President and Chief Executive Officer
George Cannon	Vice President and Treasurer
Jason Peterson	Secretary

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code. The following is an organizational chart of the insurance holding company system as of December 31, 2025:



[1]Specialty Managers Group, LLC (SMG) is owned by Mitchell Sellett. In accordance with SSAP No. 25 – Affiliates and Other Related Parties, SMG is an affiliate company given Mitchell Sellett also controls AELC and AELC's majority ownership interest in the Company. SMG functions as the Company's program administrator and performs the day-to-day operational activities for the Company in accordance with a Program Administration Agreement with the Company.

Agreements with Affiliates

The following affiliated agreement within AEIC's organizational structure were identified and in effect as of December 31, 2025.

Program Administration Agreement

Effective January 1, 2024, the Company entered into a Program Administration Agreement with SMG. In accordance with the agreement, SMG provides program administration services and claims and risk mitigation services for the day-to-day operations of AEIC. These services include but are not limited to the following functions: underwriting, sales and marketing, shareholder relations, financial and managerial reporting, investment and banking relations, regulatory compliance, reinsurance and claims and risk management services. In return, during

2024 and 2025, the Company paid $58,000 per quarter for program administration services, $4,500 per quarter for risk management services and amounts not to exceed $235 per hour for claims management services.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2025, the Company was licensed to transact business solely in the State of Delaware.

In 2021, AEIC directed its manager to enter a binder relationship with Lloyd's of London, providing its members a professional liability program for AEIC purchasing group members for new and renewal business previously issued by AEIC on a 100% basis. This agreement, effectuating on March 19, 2021, addressed the membership's desire for paper with a financial classification size of AM Best VII or greater, a requirement in a growing number of design professional servicing agreements. Concurrent with this member-decision, the Company ceased writing new and renewal business only engaging in miscellaneous underwriting in the 2022 and 2023 years. This underwriting was confined solely to policy maintenance on multi-year policies effectuating prior to March 2021 and expiring in reporting year 2023. As a result, AEIC entered the post-underwriting phase of runoff in 2024, reporting no written, earned or unearned premium activity for year-end 2024 and 2025 as reflected in its profit and loss statement.

REINSURANCE

The Company reported the following distribution of gross and net premium written for the years ended December 31, 2025, and the prior examination date of December 31, 2020:

	2025	2020
Direct business	$ -	$ 5,267,474
Reinsurance assumed (from affiliates)	-	-
Reinsurance assumed (from non-affiliates)	-	-
Gross direct and assumed business	$ -	$ 5,267,474
Reinsurance ceded (to affiliates)	-	-
Reinsurance ceded (to non-affiliates)	-	4,668,509
Gross ceded business	$ -	$ 4,668,509
Net premiums written	$ -	$ 598,965

Ceded Reinsurance – Non-Affiliates

The Company maintains a reinsurance structure that has remained the same since 2019 with AEIC retaining net $250K against treaty capacity of $10M. AEIC's $10M quota share contract was placed in 75% terms with the following subscribing reinsurer: Transatlantic Reinsurance Company, Partner Reinsurance Company of the U.S., General Reinsurance Corporation and Validus Reinsurance Ltd. The 25% unplaced in the $9M excess $1M layer is reinsured fully by AEIC's excess cessions contract placed with Lloyd's of London. When the excess cessions treaty is coupled with the $10M quota share treaty, AEIC continues to be 100% reinsured in the excess $1M layer, protecting policyholder surplus from any severity losses. The Lloyd's excess cessions program is led by the Liberty Syndicate and followed by Brit and Faraday. All reinsurers are A.M Best "A" rated or better.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2025
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2025
- Statement of Income for the year ended December 31, 2025
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2020 to December 31, 2025

Statement of Assets
As of December 31, 2025

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 724,199	$ -	$ 724,199
Cash	3,036	-	3,036
Cash equivalents	7,669,025	-	7,669,025
Subtotals, cash and invested assets	$ 8,396,260	$ -	$ 8,396,260
Investment income due and accrued	54,900	-	54,900
Amounts recoverable from reinsurers	102,497	-	102,497
Prepaid Expenses	12,456	12,456	-
Total	$ 8,566,113	$ 12,456	$ 8,553,657

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2025

			Notes
Losses	$	750,376	(1)
Loss adjustment expenses		20,090	(1)
Other expenses (excluding taxes, licenses and fees)		9,758	
Ceded reinsurance premiums payable (net of ceding commisssions)		1,945,788	
Total liabilities	$	2,726,012	
Common capital stock		295,175	
Provision for redeemable capital stock		2,737,236	
Gross paid in and contributed surplus		4,145,119	
Unassigned funds (surplus)		455,973	
Less treasury stock, at cost: common		1,805,858	
Surplus as regards policyholders	$	5,827,645	
Totals	$	8,553,657	

Statement of Income
For the Year Ended December 31, 2025

Underwriting Income		
Premiums earned	$	-
Deductions:		
Other underwriting expenses incurred		1,776,869
Total underwriting deductions	$	1,776,869
Net underwriting gain (loss)	$	(1,776,869)
Invesment Income		
Net investment income earned	$	343,919
Net realized capital gains (losses)		-
Net investment gain (loss)	$	343,919
Other Income		
Total other income	$	-
Net income before dividends to policyholders	$	(1,432,950)
Dividends to policyholders		-
Net income after dividends to policyholders	$	(1,432,950)
Federal and foreign income taxes incurred		-
Net Income	$	(1,432,950)

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2020 to December 31, 2025

	Common Capital Stock	Provision for Redeemable Capital Stock	Gross Paid in & Contributed Surplus	Unassigned Funds (Surplus)	Treasury Stock	Total
Balance at December 31, 2020	$ 303,211	$ 2,532,788	$ 4,353,259	$ 5,236,619	-	$ 12,425,877
2021 Net income	-	-	-	895,831	-	895,831
2021 Other Changes[1]	-	-	-	(1,678,871)	-	(1,678,871)
2021 Change in redeemable common stock	(3,464)	94,071	(99,465)	-	-	(8,858)
2021 Purchase of treasury stock	-	-	-	-	(1,344,819)	(1,344,819)
Balance at December 31, 2021	$ 299,747	$ 2,626,859	$ 4,253,795	$ 4,453,577	$ (1,344,819)	$ 10,289,159
2022 Net income	-	-	-	(1,418,588)	-	(1,418,588)
2022 Other Changes[1]	-	-	-	(703,236)	-	(703,236)
2022 Change in redeemable common stock	(3,737)	87,985	(86,901)	-	-	(2,653)
2022 Purchase of treasury stock	-	-	-	-	(421,759)	(421,759)
Balance at December 31, 2022	$ 296,010	$ 2,714,844	$ 4,166,894	$ 2,331,754	$ (1,766,578)	$ 7,742,924
2023 Net income	-	-	-	(1,050,739)	-	(1,050,739)
2023 Other Changes[1]	-	-	-	506,191	-	506,191
2023 Change in redeemable common stock	(114)	3,171	(3,057)	-	-	-
Balance at December 31, 2023	$ 295,896	$ 2,718,015	$ 4,163,837	$ 1,787,206	$ (1,766,578)	$ 7,198,376
2024 Net income	-	-	-	97,657	-	97,657
2024 Other Changes[1]	-	-	-	3,519	-	3,519
2024 Change in redeemable common stock	(716)	19,081	(18,583)	-	-	(218)
2024 Purchase of treasury stock	-	-	-	-	(39,280)	(39,280)
Balance at December 31, 2024	$ 295,180	$ 2,737,096	$ 4,145,254	$ 1,888,381	$ (1,805,858)	$ 7,260,053
2025 Net income	-	-	-	(1,432,950)	-	(1,432,950)
2025 Other Changes[1]	-	-	-	542	-	542
2025 Change in redeemable common stock	(5)	140	(135)	-	-	-
Balance at December 31, 2025	$ 295,175	$ 2,737,236	$ 4,145,119	$ 455,973	$ (1,805,858)	$ 5,827,645

[1]Other changes include changes in: net unrealized capital gains (losses), net deferred income tax and non-admitted assets.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	$ 750,376
Loss Adjustment Expenses	$ 20,090

The examination liability for the aforementioned captioned items of $750,376 and $20,090 are the same as reported by the Company as of December 31, 2025. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Account Principle No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of this examination report. There were no significant transactions or events that were deemed material for disclosure in this examination report.

SUMMARY OF RECOMMENDATIONS

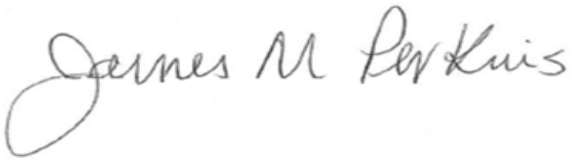
There were no recommendations as a result of this examination.

The assistance of the consulting actuarial firm, INS Consultants, Inc. and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Nicholas R. O'Dell, CPA, CFE
Examiner-In-Charge
State of Delaware



James M. Perkins, CFE
Supervising Examiner
State of Delaware

I, Nicholas R. O'Dell, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 26.032.



Nicholas R. O'Dell, CPA, CFE