2023 ANNUAL REPORT

ARAG ALLGEMEINE VERSICHERUNGS-AG

SINGLE-ENTITY FINANCIAL STATEMENTS AND MANAGEMENT REPORT

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OVERVIEW OF THE COMPANY

I. Profile of the ARAG Group

Overview

The ARAG Group is the largest family enterprise in the German insurance industry and the leading legal insurer worldwide. When it was founded over 85 years ago, the Company focused purely on legal insurance. Today, ARAG positions itself as an innovative and high-quality insurer that is international and independent. In addition to legal insurance, its portfolio in Germany includes effective, needs-based products and services covering health insurance and casualty and property insurance. The Company aims to generate growth across all insurance segments in Germany and to exploit the potential for expansion in the international legal insurance business.

ARAG SE is responsible for operational Group management and the legal insurance operating business at both domestic and international levels. The ARAG insurance and service companies are responsible for the other lines of business and the related operational management. ARAG Holding SE manages the assets and is the parent company of the Group from a company law perspective.

Legal insurance

In its core legal insurance segment, ARAG is growing rapidly in both Germany and abroad and plays a major role in shaping its markets with innovative products and services. The international legal insurance business is the Group's most significant area of activity. Worldwide, the Group helps its legal insurance customers with over a million cases per year, thereby playing its part in resolving sometimes existential legal problems.

Personal insurance

In the private health insurance market, ARAG Krankenversicherungs-AG (ARAG Health) offers a broad range of products with outstanding customer benefits, emphasizing its appeal as one of the best providers of full-coverage and supplementary health insurance. ARAG Core Sales also offers products from a strategic partner, complementing ARAG's services with a retirement pension offering.

Casualty and property insurance

In a fiercely competitive market, ARAG Allgemeine Versicherungs-AG is demonstrating its strength as a competitive provider of property, liability, and accident insurance policies. This company is also Germany's largest sports insurer, providing cover for more than 20 million recreational sports participants and top-ranking athletes across the country. Its subsidiary Interlloyd specializes in attractive brokering products in the commercial and private customer segments, adding a further dimension to the Group's portfolio.

II. Key Figures

Key figures

(€'000)	2023	2022	2021
Sales revenue			
Gross premiums written	213,839	220,093	210,578
Premiums earned net of reinsurance	206,242	210,285	200,103
Expenses			
Claims incurred net of reinsurance	108,159	101,936	101,391
Insurance business operating expenses net of reinsurance	90,981	93,925	91,715
Net income overview			
Underwriting result before equalization provision, gross	12,007	16,106	– 3,658
Underwriting result before equalization provision, net of reinsurance	6,082	13,576	6,282
Underwriting result after equalization provision, net of reinsurance	9,481	8,618	10,098
Gains and losses on investments	6,924	1,230	5,167
Other net income/expense	– 3,746	– 4,761	– 3,342
Profit/loss from ordinary activities	12,658	5,086	11,923
Net income for the year (before profit transfer under profit-and-loss transfer agreement)	12,158	4,941	11,816
Technical provisions/net premiums earned	136.1%	136.8%	141.1%
Equity/premiums earned net of reinsurance	26.8%	26.3%	27.6%
Key ratios			
Claims ratio, net (basis: premiums earned)	52.4%	48.5%	50.7%
Cost ratio, net (basis: premiums earned)	44.1%	44.7%	45.8%
Net yield	2.0%	0.4%	1.5%
Current average yield	2.0%	1.2%	1.6%

MANAGEMENT REPORT

I. Company Fundamentals

Business model

The ARAG Group is the largest family enterprise in the German insurance industry and the leading legal insurer worldwide. Its Group companies operate in the health, property, liability, and accident insurance segments in Germany. Service companies and brokerage firms round off the ARAG Group's service offering and support the operating insurance companies. Including Germany, the Group currently operates in a total of 19 countries through branches, subsidiaries, and equity investments.

ARAG Allgemeine offers modular insurance cover for accident insurance, liability insurance, and private property insurance (mainly composite residential buildings and home contents insurance) to its predominantly private and small business customers.

ARAG Allgemeine also considers itself to be a partner of the sports community, based on long-established ties in this area of business. The Company provides needs-based insurance cover for insured clubs and associations involved in sports and the arts, largely under group and supplementary insurance policies. In addition to its head office in Düsseldorf, ARAG Allgemeine maintains 15 offices at insured state sports associations and one office at the German Ski Association.

Territory

The territory covered by ARAG Allgemeine encompasses the Federal Republic of Germany and, for some classes of insurance, the United Kingdom and the Republic of Ireland. The UK business is brokered and operated by a branch established in 2016. The permanent establishment in the Republic of Ireland opened in 2019.

Segments and classes of insurance

The Company's operations cover direct business in the following segments and classes of insurance:

Accident insurance
- Individual accident insurance without premium refunds
- Group accident insurance without premium refunds
- Motor accident insurance

Liability insurance
- Personal liability insurance
- Commercial general liability and professional indemnity insurance
- Environmental liability insurance
- Financial loss liability insurance
- Sundry and non-itemized liability insurance

Motor insurance
- Motor liability insurance
- Full-coverage vehicle insurance
- Cost-share vehicle insurance

Legal insurance

Fire insurance
- Industrial fire insurance
- Agricultural fire insurance
- Miscellaneous fire insurance

Burglary, theft, and robbery insurance

Water damage insurance

Glass insurance

Storm and tempest insurance
- Storm and tempest insurance with/without cover for other natural disasters

Composite home contents insurance
- Composite home contents insurance with/without cover for other natural disasters

Composite residential buildings insurance
- Composite residential buildings insurance with/without cover for other natural disasters

Technical insurance
- Electronic equipment insurance
- Construction contractors' all risks insurance
- Sundry and non-itemized technical insurance

Marine insurance

Insurance for additional risks under fire insurance and under insurance for business interruption caused by fire (extended coverage [EC] insurance)

Business interruption insurance
- Insurance for business interruption caused by fire
- Insurance for business interruption caused by technical failure
- Miscellaneous business interruption insurance

Emergency assistance insurance
- Special service package insurance
- Sundry and non-itemized assistance insurance

Miscellaneous indemnity insurance
- Miscellaneous property insurance (including cycle and baggage insurance)
- Miscellaneous consequential loss insurance (including pet health and loss of rent insurance [tenant default])
- Miscellaneous endowment insurance
- Fidelity insurance
- Sundry and non-itemized miscellaneous indemnity insurance

The Company's operations cover inward reinsurance business in the following segments and classes of insurance:

Accident insurance
- Individual accident insurance without premium refunds
- Group accident insurance without premium refunds
- Sundry and non-itemized general accident insurance

Liability insurance
- Personal liability insurance
- Commercial general liability and professional indemnity insurance
- Environmental liability insurance
- Financial loss liability insurance
- Carrier's liability insurance
- Sundry and non-itemized liability insurance

Legal insurance

Fire insurance

- Miscellaneous fire insurance

Burglary, theft, and robbery insurance

Water damage insurance

Glass insurance

Storm and tempest insurance

- Storm and tempest insurance with/without cover for other natural disasters

Composite home contents insurance

- Composite home contents insurance with/without cover for other natural disasters

Composite residential buildings insurance

- Composite residential buildings insurance with/without cover for other natural disasters

Technical insurance

- Electronic equipment insurance
- Construction contractors' all risks insurance
- Sundry and non-itemized technical insurance

Marine insurance

Insurance for additional risks under fire insurance and under insurance for business interruption caused by fire (extended coverage [EC] insurance)

Business interruption insurance

- Insurance for business interruption caused by fire
- Insurance for business interruption caused by technical failure
- Miscellaneous business interruption insurance

Emergency assistance insurance

- Special service package insurance
- Sundry and non-itemized assistance insurance

Miscellaneous indemnity insurance

- Miscellaneous property insurance (including exhibition, cycle, and camera insurance)
- Miscellaneous consequential loss insurance (including pet health and loss of rent insurance [insured events])
- Miscellaneous endowment insurance
- Sundry and non-itemized miscellaneous indemnity insurance

Customers who have taken out an AUB 2007, AUB 2012, or AUS 2016 version of the ARAG Unfall-Schutz accident insurance policy (general terms and conditions of accident insurance 2007, general terms and conditions of accident insurance 2012, and general terms and conditions of accident insurance 2016 respectively) also continue to enjoy a bonus in the form of a special payment in the event of a successful claim, depending on the length of time the policy has been in force. The bonus entitlement is published in the Company's annual report and applies to all new claims submitted in the 2023 and 2024 financial years in respect of accidents occurring in 2023 and 2024.

In addition to the contractually agreed benefits, holders of an AUB 2007, AUB 2012, or AUS 2016 version of the ARAG Unfall-Schutz accident insurance policy receive, in the event that benefits are paid out under the policy, the following bonus (as a percentage of the contracted benefits) in accordance with the special terms and conditions of the insurance:

Bonus

Number of complete years policy in force	Benefit bonus level	2023/2024 bonus declaration Benefit type		
		Disability	Accident disability	Death
1	1	0.0%	0.0%	0.0%
2	2	3.0%	3.0%	3.0%
3	3	6.0%	6.0%	6.0%
4	4	8.0%	8.0%	8.0%
5	5	10.0%	10.0%	10.0%
6	6	10.0%	10.0%	10.0%
7	7	11.0%	11.0%	11.0%
8	8	11.0%	11.0%	11.0%
9	9	12.0%	12.0%	12.0%
10	10	12.0%	12.0%	12.0%
11	11	13.0%	13.0%	13.0%
12	12	13.0%	13.0%	13.0%
13	13	14.0%	14.0%	14.0%
14	14	14.0%	14.0%	14.0%
15	15	15.0%	15.0%	15.0%
16	16	15.0%	15.0%	15.0%
17	17	15.0%	15.0%	15.0%
18	18	15.0%	15.0%	15.0%
19	19	15.0%	15.0%	15.0%
20	20	15.0%	15.0%	15.0%
21	21	15.0%	15.0%	15.0%
22	22	15.0%	15.0%	15.0%
23	23	15.0%	15.0%	15.0%
24	24	15.0%	15.0%	15.0%
25 or more	25	15.0%	15.0%	15.0%

II. Economic and Sector Conditions

Macroeconomic backdrop

In 2023, business for German insurers was affected by a variety of factors with differing intensities.

The Russian Federation's war of aggression against Ukraine that began at the start of 2022 continued to take a heavy social and economic toll. The war in the Middle East toward the end of the year further exacerbated global tensions. Energy and commodity prices remained stubbornly high, which impacted on consumer spending and on investment by private households and businesses, especially in the eurozone. The political uncertainty led to a loss of purchasing power and to rising prices for consumers. In light of high consumer prices, central banks around the world continued to increase key interest rates in order to keep inflation in check. The European Central Bank (ECB) raised key interest rates to 4.5 percent in progressively smaller steps over the course of 2023. This cycle of rate hikes was ended in the last quarter, however, as it started to take effect and the rate of inflation fell. The German Council of Economic Experts estimates that the German rate of consumer price inflation was slightly lower year on year at around 6.1 percent in 2023 (2022: 6.9 percent).

The situation surrounding the COVID-19 pandemic continued to ease considerably in 2023. Nevertheless, general developments will be continuously monitored to ensure that individual companies can respond quickly and appropriately if need be.

Insurance industry

Based on provisional information from the German Insurance Association (GDV), the volume of business in the insurance industry in Germany is expected to have remained stable in 2023, despite the effects of persistently high inflation, the conflicts in Ukraine and the Middle East, and the lingering effects of the receding pandemic. Across all insurance segments, a premium increase of 1.3 percent overall is anticipated (2022: decrease of 0.5 percent), with casualty and property insurance and private health insurance – business lines in which the ARAG Group operates – particularly contributing to this industry growth. In direct casualty and property insurance business, the overall market is expected to have grown by 6.7 percent (2022: 4.4 percent). A key growth driver is composite residential buildings insurance with anticipated growth of 16.5 percent (2022: 8.9 percent), primarily forged through premium and index adjustments. But legal insurance is also expected to have grown, by 2.5 percent (2022: 3.4 percent), on the back of higher premiums in new business and sustained growth in existing business in 2023. In the private health insurance business, the GDV is forecasting a premium increase of 3.5 percent (2022: 3.7 percent), primarily thanks to adjustments to rate scales in nursing care insurance and full-coverage health insurance.

III. Business Performance

The business performance of ARAG Allgemeine, broken down by net assets, financial position, and results of operations, is presented using the following KPIs, which have not been weighted. Premiums written and profit before tax are the most important KPIs.

The presentation has changed compared with the prior year. The change in presentation is intended to improve the clarity of reporting. It also brings the reporting by all insurance companies in the ARAG Group into line, which helps to make the preparation of the management report more efficient and improve comparability.

Due to currency amounts being presented in thousands, the precise mathematical amounts may differ from those presented as a result of rounding differences. Those differences may affect totals and percentages.

Results of operations

Premiums

Income from gross premiums written totaled €213,839 thousand in 2023, following €220,093 thousand in the prior year. Of this total, 80.9 percent related to direct business in Germany, which saw gross premiums written rise by 4.3 percent to €172,968 thousand (2022: €165,846 thousand). Whereas premium income at the UK branch fell significantly from €17,097 thousand to €3,048 thousand due to the restructuring of the UK business, the increase in premiums in Germany was primarily driven by premium and index adjustments in the composite residential buildings insurance business and a renewed year-on-year increase in the number of new policies underwritten in Germany (including in pet health insurance).

Income from gross premiums written in the Company's inward reinsurance business in Germany rose by 3.6 percent in 2023, from €28,441 thousand to €29,465 thousand. This income was almost exclusively attributable to premiums from the wholly owned subsidiary Interlloyd Versicherungs-AG, Düsseldorf, with which ARAG Allgemeine has entered into a quota-share reinsurance treaty. Interlloyd's quota share of 50.0 percent remained unchanged in 2023.

The insurance business brokered through international branch business generated income from gross premiums written of €11,405 thousand (2022: €25,807 thousand). Around three-quarters of this business was attributable to the branch in Ireland, the rest to the branch in the United Kingdom.

After taking into account unearned premiums and after deduction of the external reinsurers' shares, the Company's remaining net premiums earned amounted to €206,242 thousand (2022: €210,285 thousand). The volume of gross premiums ceded to reinsurers went up from €8,804 thousand to €9,849 thousand in the reporting year, a rise of 11.9 percent.

The number of in-force insurance policies came to 1,965,260 at the end of 2023 (December 31, 2022: 5,062,589). Of this total, 1,000,254 (December 31, 2022: 975,316) were attributable to the business in Germany and 965,006 (December 31, 2022: 4,087,273) to the international branch business. The decline in in-force policies is primarily attributable to the aforementioned restructuring of the business in the United Kingdom.

Policyholder benefits

The total gross expenses for claims incurred came to €111,028 thousand in 2023, compared with €106,762 thousand in 2022.

Overall, the gross claims ratio therefore stood at 51.4 percent (2022: 48.7 percent). Direct insurance business in Germany accounted for €89,914 thousand (2022: €84,275 thousand), which means that the claims ratio before reinsurance in this business was 52.3 percent (2022: 51.0 percent). Although the Company benefited from a lower incidence of storms in 2023 compared with the relatively high number of storms experienced in previous years, the claims reported for the year nonetheless rose significantly by 14.0 percent overall. This growth was attributable in particular to the accident and liability insurance segments.

The claims incurred in inward reinsurance business in Germany amounted to €14,619 thousand in 2023 (2022: €12,649 thousand). This gave rise to a gross claims ratio of 50.0 percent (2022: 44.5 percent).

Gross international branch business accounted for €6,495 thousand (2022: €9,837 thousand), which means that the claims ratio before reinsurance was 43.6 percent (2022: 38.8 percent). The absolute figures once again reflect the discontinuation of active insurance brokerage in the United Kingdom.

The Company's remaining claims incurred net of reinsurance amounted to €108,159 thousand, compared with €101,936 thousand in 2022. Based on premium income earned net of reinsurance, the net claims ratio therefore came to 52.4 percent (2022: 48.5 percent).

Insurance business operating expenses

Gross insurance business operating expenses fell by 3.5 percent to €92,039 thousand in 2023 (2022: €95,350 thousand). The cost ratio before reinsurance came to 42.6 percent (2022: 43.5 percent).

Direct insurance business in Germany accounted for €71,916 thousand (2022: €68,307 thousand). The increase was due to higher commissions as a result of the rise in premium income in Germany. Based on the gross premium income earned in direct insurance business in Germany, the cost ratio stood at 41.8 percent (2022: 41.3 percent).

Insurance business operating expenses in the inward reinsurance business in Germany came to €13,970 thousand (2022: €13,381 thousand). The rise in commissions as a result of growth in premium income led to higher costs in this business too. The cost ratio for this part of the business was 47.8 percent, compared with 47.0 percent in the prior year.

Costs before reinsurance of €6,153 thousand (December 31, 2022: €13,661 thousand) were attributable to international branch business. In line with the premiums and claims, this decline was also due to the restructuring of the business in the United Kingdom. The gross cost ratio for the international branch business was 41.3 percent, compared with 53.9 percent in the prior year.

Overall, the ratio of insurance business operating expenses net of reinsurance to premiums earned went down by 0.6 percentage points year on year to 44.1 percent.

Results of operations by insurance segment

The business performance of the individual insurance segments in direct insurance and inward reinsurance business was as follows:

Direct insurance and inward reinsurance business

	Accident insurance		Liability insurance		Composite home contents insurance		Composite residential buildings insurance		Legal insurance		Emergency assistance insurance		Miscellaneous insurance		Inward reinsurance business	
(€'000)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Gross premiums written	47,348	47,261	46,714	45,834	24,185	23,016	21,168	19,264	8,676	15,766	8,051	14,656	25,973	23,203	31,723	31,093
Premiums earned net of reinsurance	44,889	45,073	44,462	43,796	22,315	21,613	19,249	17,820	10,822	15,310	8,761	14,668	24,327	21,155	31,417	30,850
Claims incurred net of reinsurance	22,269	19,159	15,127	19,043	12,166	11,085	20,449	16,544	3,887	5,586	8,037	9,320	10,102	7,346	16,123	13,853
Insurance business operating expenses net of reinsurance	18,445	16,558	19,007	19,199	10,855	10,425	9,224	7,013	4,823	7,654	2,980	9,777	10,667	8,993	14,981	14,306
Underwriting result net of reinsurance before equalization provision	4,416	9,587	10,440	5,640	- 729	68	- 10,843	- 5,970	2,111	2,070	- 2,228	- 4,402	3,243	4,513	- 327	2,070
Change in the equalization provision	0	0	- 3,296	- 450	- 1,000	- 289	- 1,326	1,538	- 446	1,053	0	0	4,041	3,164	1,372	58
Underwriting result net of reinsurance after equalization provision	4,416	9,587	13,736	6,090	271	357	- 9,517	- 7,508	2,557	1,017	- 2,228	- 4,402	- 797	1,349	1,044	2,127

Reinsurance

The volume of outward reinsurance, measured on the basis of insurance premiums ceded, was up year on year at €9,849 thousand (2022: €8,804 thousand). There were no material changes to the reinsurance program, which continued to focus on insuring the risk from large claims and accumulation losses through non-proportional reinsurance treaties. In 2023, reinsurance business was dominated by the settlement of various property, liability, and accident insurance claims. In total, the reinsurers' underwriting result improved to a profit of €5,925 thousand in 2023 (2022: €2,530 thousand).

Underwriting result

For the aforementioned reasons, the net underwriting result before the equalization provision amounted to €6,082 thousand in 2023 (2022: €13,576 thousand) and was therefore down on the prior-year figure. The combined ratio net of reinsurance stood at 96.6 percent (2022: 93.1 percent). In accordance with the calculation requirements specified in the German Regulation on the Accounting of Insurance Undertakings (RechVersV), there was a reversal of the equalization provision in an amount of €3,399 thousand on the basis of the trends in claims and premiums (2022: addition of €4,958 thousand). The underwriting result net of reinsurance after the equalization provision totaled €9,481 thousand (2022: €8,618 thousand).

Gains and losses on investments

Gains and losses on investments at ARAG Allgemeine amounted to a net gain of €6,924 thousand (2022: €1,230 thousand), an increase of €5,694 thousand. The institutional funds that existed until mid-2023 were transferred to a fund of funds structure in 2023. To this end, the individual themed funds were integrated into the Alltri fund, which now functions as a fund of funds. Income from investments of €11,356 thousand was generated in 2023, compared with €5,883 thousand in the prior year. The main components of income from investments were income under the profit-and-loss transfer agreement with the subsidiary Interlloyd of €3,958 thousand (2022: €521 thousand), gains on the disposal of investments of €2,966 thousand (2022: €518 thousand), and income from equity investments of €2,589 thousand (2022: €2,562 thousand). Expenses for investments amounted to €4,315 thousand in the reporting year (2022: €4,530 thousand). Whereas the level of write-downs required decreased to €87 thousand (2022: €3,326 thousand), the losses on disposals increased to €2,771 thousand (2022: €0 thousand). The net yield on investments was 2.0 percent in the year under review (2022: 0.4 percent); the current average yield was 2.0 percent (2022: 1.2 percent).

Other net income/expense

Overall, the Company's other net non-underwriting income/expenses improved markedly year on year, amounting to a net expense of €3,746 thousand (2022: net expense of €4,761 thousand). The improvement is attributable in particular to a fall in currency losses and a lower level of reclassifications to the non-underwriting result at the branches outside Germany.

Profit/loss from ordinary activities

Profit from ordinary activities stood at €12,658 thousand (2022: €5,086 thousand).

Net extraordinary income/expense

There was no extraordinary income or expense in either 2023 or 2022.

Net income for the year

Considering the economic conditions and financial key performance indicators, the Company's overall business performance was positive again in 2023.

Under a profit-and-loss transfer agreement, ARAG Allgemeine was required to transfer the full sum of its net income for the year amounting to €12,158 thousand (2022: €4,941 thousand) to the parent company.

Comparison of business performance with the forecast

The comparison of business performance in 2023 with the forecasts made in the 2022 outlook and opportunity report shows that the decrease in gross premiums written was much less pronounced than forecast. At 2.8 percent, the rate of decline in premiums was lower than the rate anticipated in the forecast in the 2022 annual report of around 4.8 percent. This was due to a much higher number of new policies being underwritten than had been budgeted.

Contrary to the forecast, claims incurred net of reinsurance increased by around €2,272 thousand. The net claims ratio was exactly on budget at 52.4 percent.

Insurance business operating expenses, net of reinsurance, were €3,619 thousand higher than the level forecast in 2022. This was due to commission expenses being higher than the budget. The target combined ratio (net) of well below 100 percent was achieved at 96.6 percent.

Gains and losses on investments fared much better than forecast. In particular, unexpected gains on the disposal of investments and a higher profit transfer from the subsidiary Interlloyd led to a better result than forecast.

Overall, profit after tax was virtually at the level originally forecast in the prior year.

Financial position

The objective of the financial management system is to ensure that the Company holds adequate financial resources and manages its liquidity such that it is able to satisfy its obligations arising from the insurance business at all times and to exceed, rather than simply satisfy, the regulatory requirements concerning the capital adequacy of insurance entities.

In addition to current bank balances and cash on hand of €20,261 thousand (December 31, 2022: €23,306 thousand), the Company has investments at its disposal that can be sold on the capital and financial markets at short notice, thus ensuring that the Company is able to satisfy its payment obligations at all times.

Net assets

The breakdown of investments by asset class was as follows:

Investments breakdown

(€'000/%)	Dec. 31, 2023		Dec. 31, 2022	
Land and buildings	0	0.0%	0	0.0%
Affiliated companies and equity investments	49,589	13.8%	45,911	13.2%
Lending to affiliated companies	0	0.0%	0	0.0%
Equities and investment fund shares/units	171,994	47.7%	194,741	56.0%
Bearer bonds	80,315	22.3%	53,332	15.3%
Loans secured by mortgages or land charges and fixed-income receivables	0	0.0%	0	0.0%
Registered bonds	44,500	12.3%	39,500	11.4%
Promissory notes, loans	13,996	3.9%	14,008	4.0%
Sundry lending	0	0.0%	0	0.0%
Bank deposits	87	0.0%	85	0.0%
Other investments	0	0.0%	0	0.0%
Deposits with ceding insurers	0	0.0%	0	0.0%
Total	**360,481**	**100.0%**	**347,577**	**100.0%**

Further information on the changes in investments and the fair values as of the balance sheet date can be found in the breakdown of investments shown in the notes to the financial statements. The volume of investments designated for permanent use in the insurance business is shown in the disclosures on accounting policies in the notes to the financial statements.

Overall, the Company continues to be able to satisfy all obligations under existing insurance contracts at all times.

Equity
Overall, the equity of ARAG Allgemeine came to €55,323 thousand as of the reporting date (December 31, 2022: €55,323 thousand).

The Company continues to have subscribed capital of €44,000 thousand, capital reserves of €10,491 thousand, statutory reserves of €747 thousand, and other revenue reserves of €89 thousand.

Corporate governance declaration

Targets for the proportion of women in management functions
The ARAG Group firmly believes in the importance of equality and diversity. The development of female managerial staff at all levels is therefore a key priority. ARAG Allgemeine Versicherungs-AG endeavors to continually and permanently increase the proportion of women at the first two management levels below the Management Board as well as on the Management Board itself and on the Supervisory Board.

At the level of the Company's Supervisory Board, the target was 0 percent as of June 30, 2023 because no changes to the Supervisory Board's membership were expected in the short term. The actual proportion as of June 30, 2023 of 0 percent was also specified as the target for the period to June 30, 2025 because no changes to the Supervisory Board's membership are expected.

The Company's Management Board had a target of 0 percent. Due to the appointment of Katrin Unterberg to the Management Board of ARAG Allgemeine Versicherungs-AG with effect from April 1, 2023, the actual proportion as of June 30, 2023 was 25 percent. The actual proportion was adopted as the new target for the period to June 30, 2025.

Due to the appointment of Katrin Unterberg to the Company's Management Board with effect from April 1, 2023, the target of 100 percent for the first management level below the Management Board as of June 30, 2023 was not achieved. The actual proportion as of June 30, 2023 was 0 percent. Because no personnel changes are expected at this management level in the short term, the actual proportion was adopted as the new target for the period to June 30, 2025.

At the second management level, the proportion of women stood at 13 percent as of June 30, 2023, which was in line with the target for that period. This actual proportion was adopted as the new target for the period to June 30, 2025.

Non-financial reporting
Alongside the group management report, ARAG Holding SE prepares a separate combined non-financial report (ARAG Sustainability Report) in accordance with German accounting standard (GAS) 20 paragraph 111, which is published outside the group management report pursuant to section 341j (4) in conjunction with section 315b (3) of the German Commercial Code (HGB) and section 315c in conjunction with sections 289c to 289e HGB. This sustainability report is publicly accessible at www.arag.com/sustainability-report.

Pursuant to section 341a (1a) HGB, ARAG Allgemeine is required to report on non-financial matters to meet the requirements of the EU CSR Directive (2014/95/EU) and of the German CSR Directive Implementation Act (CSR-RUG), which came into force in April 2017. As ARAG Allgemeine is included in the group management report issued by its parent company ARAG Holding SE, Düsseldorf, ARAG Allgemeine has elected to exercise the exemption option under section 341a (1a) sentence 3 in conjunction with section 289b (3) HGB.

Thanks to ARAG employees, sales partners, customers, and the Works Council
ARAG Allgemeine thanks all its employees and sales partners for their hard work and dedication, and its customers for the trust they have placed in the Company. It also extends its thanks to the employee representatives on the Works Council and its committees for the close and constructive cooperation.

IV. Outlook, Opportunity and Risk Reports

Outlook and opportunity report

According to the forecast produced by the insurance markets commission of the German Insurance Association (GDV), the German insurance industry remains optimistic despite persistent global economic uncertainty. The anticipated rise in nominal wages and the easing up of inflationary pressure will likely lead to higher premium income. The GDV believes that premium income in Germany could rise by around 3.9 percent across all insurance segments in 2024. As the economic outlook entails a high level of uncertainty, legal insurance can give customers and consumers peace of mind. The GDV anticipates growth of 4.0 percent in premium income in this segment in 2024. For casualty and property insurance, the association is forecasting premium growth of 7.7 percent. And within that segment, composite residential buildings insurance is predicted to increase by 10.0 percent. In private health insurance, experts expect annual salaries and income thresholds for social security contributions to rise, which could lead to premium increases of 4.5 percent.

Digitalization continues to offer substantial opportunities. The integration of technologies such as, in particular, artificial intelligence and machine learning mean that it is possible to set up much more efficient administrative channels and, above all, facilitate and develop customer contact, regardless of the time of day or where the parties are located. The huge volumes of data available to insurance companies allow them to perform even more precise risk assessments and offer personalized policies. Data analysis can also be used to identify emerging trends and improve preventive measures.

The sustainable transformation of the economy and society is one of the defining challenges for the insurance industry, along with digitalization. In terms of regulation, the insurance industry and the banking industry will play a pivotal role.

With its focus on legal insurance and health insurance, the ARAG Group is well positioned for the future in these times of major upheaval and far-reaching global turmoil. The ARAG 5>30 development program, which the Group launched at the end of 2022, specifies five key areas of action that set out the Group's strategic direction in the period up to 2030.

In view of the current opportunities, ARAG Allgemeine believes it has a stable basis on which to be successful and profitable in 2024. The Company's continued objective is to focus on strategic core segments in its private customers business. In the sports insurance business, the Company will maintain its strategy of providing needs-based insurance cover for organizations offering recreational and high-performance sports activities.

For 2024, the Company anticipates premium growth at a slightly lower level than projected by the GDV for the overall German market. The growth in premiums will result primarily from direct insurance business in Germany, specifically composite residential buildings insurance. The restructuring of business in the United Kingdom and the projected erosion of premium income there will have the opposite effect.

Climate change means that claim figures remain volatile for non-life insurers. The last few years have clearly demonstrated that storms and hurricanes are not the only natural disasters that can hit the whole of a country; natural disaster loss events can also be triggered by hail, heat waves, and rain. In terms of expenses for claims incurred, the claims ratio before reinsurance is expected to be slightly lower year on year despite a rising volume of business and sticky inflation.

The gross cost ratio, by contrast, is expected to be markedly higher than in 2023 due to increases in intragroup services.

The projection for gains and losses on investments remains very uncertain, especially in view of the impact of unforeseen geopolitical events on the economy and financial markets, which is still very difficult to predict. In a persistently volatile capital market environment, gains and losses on investments are nevertheless expected to improve markedly compared with the average for the past three years (excluding any possible profit or loss transfer from the subsidiary Interlloyd).

ARAG Allgemeine is confident that it can maintain its profitability at a high level over the coming years. Overall, taking into account the discernible opportunities, ARAG Allgemeine forecasts that business performance will again be positive in 2024. However, the Company's planning envisages a much lower level of profit after tax being transferred to the parent company ARAG SE in 2024 than was the case in 2023. This is due to the anticipated additions to the equalization provision.

Risk report

Risk management system

Risk strategy The objective of pursuing a conservative risk and solvency policy, as specified in the business strategy, provides the framework for the structure of the risk strategy. The risk strategy sets out the Company's risk profile and the structure of the individual risk exposures associated with the strategic business objectives. It also describes the tools for ensuring compliance with the prescribed risk-bearing capacity based on the risk appetite specified by the Management Board. Risks are therefore managed in the round, ensuring at all times that the overall risk profile is consistent with the risk strategy. Risks are quantified and risk-bearing capacity is measured in line with the statutory requirements of Solvency II.

Limit system The maximum permitted solvency capital requirement for the Company is determined on the basis of the risk appetite and the eligible own funds. Using this maximum requirement, the Management Board sets an overall limit that is then apportioned to the most important risks and sub-risks. The limit system is reviewed annually. The utilization of the limits is calculated during the year so that an assessment can then be made as to whether further risks can be assumed or if risks need to be reduced. A traffic light system is used, for both risk-bearing capacity and the limits at risk category level. The system enables ARAG to monitor changes in the utilization of limits and initiate corrective measures if necessary.

ORSA The own risk and solvency assessment (ORSA) process verifies that the changes in the most significant individual risks over the next four financial years will remain manageable, thereby ensuring that the ARAG Group continues to meet the objective of the conservative risk and solvency policy over the long term. To this end, the ORSA process determines ARAG's overall solvency requirement and own funds for each planning year, providing an indication of the future coverage requirement. The Management Board is responsible for the annual ORSA process and takes a lead role in ensuring it is carried out.

Independent risk control function The independent risk control function is responsible for implementing the risk management system. This function is carried out by the Group Risk Management Central Department. Group Risk Management is separate from the operational departments with profit-and-loss responsibility up to Management Board level. The Chief Risk Officer is a member of the Management Board of ARAG SE and bears responsibility for the implementation of the risk management system in all Group companies. The system is largely implemented in the form of a risk governance model, through which rules for implementing the risk-relevant processes in the Company are defined in groupwide policies and guidelines. By reporting regularly to the Company's Management Board, the independent risk control function also ensures comprehensive transparency with regard to the risk position and any changes to the risk position.

Operating decisions about whether or not to pursue opportunities and/or take on risk are made in the units with relevant responsibility.

Risk management process The risk management process comprises risk identification, risk analysis, risk assessment, risk management, risk monitoring, and risk reporting.

The aim of risk identification is to identify the emergence of new risks or changes in existing risks at an early stage and to assess them using a standard procedure. For example, risks arising in connection with the development of new markets or the launch of new products are identified, analyzed, measured, and submitted to the Management Board for decision using appropriate cross-functional review processes, such as the new-product process.

To ensure risks are assessed appropriately, the influencing factors determining the relevant exposure on the Solvency II balance sheet are analyzed. These influencing factors are validated to check that they are appropriate for the measurement of risk.

All identified risks are regularly measured. The key element in this process is the solvency capital requirement that is calculated for all downside risk. The purpose is to ensure that unexpected losses are covered. This requirement quantifies the loss from the risk exposures occurring within a specific holding period (one year) and with a specified level of probability (99.5 percent). In addition, a qualitative assessment is carried out in the ORSA process.

Operational management of risk is carried out by the managers and process owners in those departments where the risks occur. Risk management consists of implementing measures to reduce, mitigate, transfer, and diversify risks.

A key element of risk monitoring is examining changes in the risk profile over time, focusing on risk-bearing capacity and utilization of the limits. Risk monitoring takes into account the regulatory and internal requirements regarding minimum cover. The results from the risk monitoring process and the associated recommendations for action are reported to the Management Board promptly and on a continual basis. Unexpected or extreme events can also affect a company's risk profile. Ad hoc reports are submitted if this is the case.

Internal control system The internal control system (ICS) refers to all control and monitoring mechanisms as well as other measures that help to support the effectiveness and profitability of business activities and to identify and minimize risk at an early stage. It also ensures compliance with the applicable laws and regulations, all regulatory requirements, and internal rules.

The ARAG Group structures its ICS in accordance with the 'three lines of defense' model, which the Company also uses:

First line of defense: The first line of defense is formed by all employees and managers in operational roles who are responsible for identifying and evaluating the risks in their area as part of the risk control process.

Second line of defense: The monitoring of the business and central units is carried out by various interdisciplinary functions (Group Controlling, Legal/Compliance, Group Risk Management, and the Actuarial function) that specify standards for the design and monitoring of controls and the handling of risk.

Third line of defense: Under its remit as the internal auditor for the Group companies, the Group Audit Central Department conducts internal audits of the functions in the first and second lines of defense within the ARAG Group. The Group Audit Central Department is also the internal auditor for the Group companies that have contractually appointed it to this role. Following the orders issued by the Management Board, Group Audit examines the operational and organizational structure as well as the ICS for all operating and business processes from a risk perspective.

Risk categories
Underwriting risk and market risk are of considerable significance for the Company, whereas counterparty default risk, liquidity risk, and operational risk are of lesser importance.

Underwriting risk Underwriting risk is the risk of a loss arising from inadequate pricing or inadequate assumptions used in determining underwriting liabilities. These losses result from various risk types, including:

- Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the duration of claims settlement and the amount involved in relation to the premiums generated in an insurance period.
- Catastrophe risk: significant uncertainties regarding pricing and assumptions in respect of the recognition of technical provisions for extreme or exceptional events.
- Lapse risk: adverse changes in the level or volatility of the rates of insurance policy lapses and terminations.

These risks are measured using an internal model. A simulation is used to forecast a level of loss that would only be expected every 200 years (a 1 in 200 year event indicates the one-year loss anticipated with a probability of 99.5 percent). Future claims and/or required additions to reserves are calculated for premium and reserve risk on the basis of historical claims. Likewise, catastrophe and accumulation risk is assessed by simulating losses. Lapse risk is calculated on the basis of past lapse rates. The actual underwriting risk arises from the aggregation of the individual risks, taking diversification effects into account. The methodology used for the internally modelled risks is regularly reviewed using backtesting and validation tests.

The ORSA process identified events that can have a material impact on underwriting risk. They include, for example, natural disasters due to climate change and conventional polices that do not explicitly mention cyber risk but where it is insured due to it not being explicitly excluded.

The effects of these events are managed by making adjustments in product design and underwriting. Important measures implemented to restrict the risks include risk limits and a reinsurance program. The program focuses on insuring the risk from large claims and accumulation losses through non-proportional reinsurance treaties. There are also facultative reinsurance arrangements for large risks and special risks.

The consistency of the insurance business and the adequacy of the claims provisions at all times can be seen in the following disclosures on the changes in the claims ratio for the entire direct insurance business over the last ten financial years.

Changes in claims ratio

Financial year		Claims ratio, gross, total	Profit/loss on settlements
	FY ratio	Financial statements	% of initial reserve
2023	59.8	51.4	7.2
2022	58.3	49.4	7.6
2021	66.7	59.6	6.1
2020	55.0	49.2	4.6
2019	61.9	55.1	5.5
2018	63.3	59.9	2.8
2017	62.3	59.4	2.5
2016	57.9	51.9	4.9
2015	58.3	49.0	7.1
2014	59.9	60.2	-0.2

Market risk Market risk is the risk of loss due to adverse changes to market prices of assets, liabilities, and financial instruments. The risk arises directly or indirectly from the following sub-risks:

- Interest-rate risk: changes in the term structure or volatility of interest rates. For example, an assumed increase or decrease of 1 percentage point in the general level of interest rates would decrease the fair value of the fixed-income securities by approximately €14,415 thousand.
- Equity risk: changes in the level or volatility of the market prices of equities. For example, an assumed fall in equities markets of 20.0 percent would cause a loss in fair value of €13,077 thousand.
- Property risk: changes in the level or volatility of the market prices of real estate.
- Currency risk: changes in the level or volatility of exchange rates.
- Spread risk: changes in the level or volatility of credit spreads over the risk-free interest-rate term structure.
- Migration/default risk: rating changes or changes in the extent of projected defaults. The breakdown of interest-bearing investments by rating is as follows:

Rating class (direct investment and funds)

(Proportion [%] by fair value)	Dec. 31, 2023
AAA	19.9%
AA	17.7%
A	30.2%
BBB	24.7%
BB	4.8%
B	2.5%
CCC	0.2%
CC	0.0%
C	0.0%
D	0.1%
Not rated	0.0%

The breakdown of fixed-income securities is as follows (fair values): Of the fixed-income securities – including securities held indirectly through institutional funds – approximately 36.5 percent are accounted for by financial services entities, 33.1 percent by corporate bonds, and 30.4 percent by public-sector bonds.

These risks are measured with an internal model. An economic scenario generator is used to simulate capital market scenarios looking at factors such as interest rates, share prices, real estate prices, credit spreads, credit ratings/defaults, and exchange rates. These risk factors are used to determine the possible fair values of investments in one year's time. The market risk itself results from the 1 in 200 year event considering all risk factors simultaneously, and from concentration risk, taking diversification effects into account. The methodology used for the internally modelled risks is regularly reviewed using back-testing and validation tests.

The ORSA process identified events that can have a material impact on market risk. They include corrections in the financial markets, the impact of climate change on investments, and negative changes in investments due to the escalation of international conflicts.

At strategic level, risk is limited by virtue of the fact that market risk limits are taken into account when determining the strategic asset allocation each year. An annual review of the asset/liability management (ALM) situation also ensures that these risk mitigation measures remain effective over the long term. Operational measures to mitigate risk are set out in the investment guidelines.

Counterparty default risk Counterparty default risk in the insurance business largely arises in connection with receivables from reinsurers and receivables from policyholders and insurance brokers. It is the downside risk arising from the unexpected default or deterioration in the credit standing of counterparties and debtors during the next twelve months.

Counterparty default risk is measured with the partial internal model. The risk of default on receivables from reinsurers is measured on the basis of the information available and proportionality considerations. The counterparties' individual credit ratings are explicitly used. To measure the risk of default on receivables from policyholders and insurance brokers, a constant factor is applied to the fair value of the relevant exposures on the Solvency II balance sheet.

The measures implemented to limit risk include requirements in respect of the selected reinsurers (such as a minimum rating) and an automated procedure for issuing reminders to recover receivables due from policyholders.

The amount of the receivables due from reinsurers, broken down by external ratings, can be found in the notes to the financial statements. As of the balance sheet date, receivables from policyholders more than 90 days past due amounted to €4,503 thousand (December 31, 2022: €3,670 thousand). The average default rate for these receivables over the last three years as of December 31, 2023 was 0.4 percent (December 31, 2022: 0.8 percent).

Liquidity risk Liquidity risk is the risk that insurance companies are unable to realize investments and other assets in order to settle their financial obligations when they fall due. Liquidity risk is therefore a derived risk: It is a type of investment risk (assets are not liquid) and a type of underwriting risk (insurance benefits due for payment may exceed available liquidity).

Liquidity risk is measured by calculating the monthly excess liquidity cover or liquidity shortfall on a rolling basis. Liquidity planning is updated constantly so that ARAG has early warning of whether it will require liquidity in the coming months. ALM is used to determine the liquidity requirement over the medium to long term.

Risk limitation measures include ALM and rolling liquidity planning.

Operational risk Operational risk is the risk arising from inadequate or failed internal processes or systems, employee misconduct, or unexpected external events that disrupt or even prevent business operations. Operational risk also encompasses legal risk and reputational risk but does not include risks arising from strategic decisions.

The Company uses the standard formula to determine the appropriate solvency capital requirement. Measurement for operational purposes is carried out using an expert assessment on the basis of two dimensions: probability of occurrence and impact. The probability of occurrence describes the likelihood that an operational risk will materialize within a defined period. The second dimension describes the potential impact of the occurrence of an operational risk and is measured in quantitative or qualitative terms. The gross and net values are recorded for each dimension. The gross values are the values before implementation of possible measures to mitigate the risk; the net values are the values after implementation of the chosen measures. Risk limitation measures are specified by the managers concerned on a case-by-case basis. When identifying and evaluating operational risks, the risk managers consider known loss events that are recorded in a loss database. This contains data on all loss events that have occurred and their actual impact. Consequently, the plausibility of subjective estimates can be tested.

The ORSA process identified events that can have a material impact on operational risk. They include cyberattacks, power failures, or risks of a legal nature. PEN tests are carried out to prevent cyberattacks. In the event of power failures, technical and organizational measures are taken in order to maintain IT operations and avoid the loss of data. To reduce risks of a legal nature, extensive legislative monitoring has been established in order to identify changes at the earliest opportunity. In addition, internal training is held on an ongoing basis to avoid violations of the law.

Overall risk position

The regulatory minimum capital requirement in accordance with the provisions of the German Insurance Supervision Act (VAG) is met in full. The Solvency II coverage ratio of 180.70 percent shows that the eligible own funds are higher than the solvency capital requirement calculated in accordance with VAG.

Over a planning period of three years, the risks were assessed using the scenarios of rising costs and claims, climate change and investments, climate change and underwriting business, and stagflation. The outcome showed that the solvency capital requirement will be sufficiently covered for the next three years of the plan.

The overall risk position does not currently point to any trends that could jeopardize the continued existence of the Company as a going concern or cause a significant negative impact on net assets, financial position, or results of operations.

FINANCIAL STATEMENTS

I. Balance Sheet

Balance sheet as of December 31 – assets

(€)	Dec. 31, 2023	Dec. 31, 2022
A. Intangible assets		
I. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	0.00	0.00
II. Goodwill	2,282,973.00	2,668,447.00
	2,282,973.00	**2,668,447.00**
B. Investments		
I. Land, land rights and buildings, including buildings on third-party land	0.00	0.00
II. Investments in affiliated companies and equity investments		
1. Shares in affiliated companies	49,589,081.82	45,911,401.58
2. Lending to affiliated companies	0.00	0.00
3. Equity investments	0.00	0.00
4. Lending to long-term investees and investors	0.00	0.00
	49,589,081.82	45,911,401.58
III. Miscellaneous investments		
1. Equities, investment fund shares/units, and other variable-yield securities	171,994,438.41	194,740,550.76
2. Bearer bonds and other fixed-income securities	80,315,046.62	53,331,965.76
3. Loans secured by mortgages or land charges and fixed-income receivables	0.00	0.00
4. Miscellaneous lending		
a) Registered bonds	44,500,000.00	39,500,000.00
b) Promissory notes and loans	13,995,747.15	14,007,957.62
c) Loans and prepayments for certificates of insurance	0.00	0.00
d) Sundry lending	0.00	0.00
	58,495,747.15	53,507,957.62
5. Bank deposits	86,512.18	84,696.00
6. Other investments	0.00	0.00
	310,891,744.36	301,665,170.14
IV. Deposits with ceding insurers	0.00	0.00
	360,480,826.18	**347,576,571.72**

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→ Balance sheet as of December 31 – assets

(€)	Dec. 31, 2023	Dec. 31, 2022
C. Receivables		
I. Receivables from direct insurance business		
1. from policyholders	6,945,224.14	7,263,285.44
2. from insurance brokers	5,926,142.92	8,303,702.73
of which from affiliated companies: €0.00 (Dec. 31, 2022: €0.00)		
	12,871,367.06	15,566,988.17
II. Receivables from reinsurance business	422,563.36	3,085,258.26
of which from affiliated companies: €0.00 (Dec. 31, 2022: €0.00)		
III. Miscellaneous receivables	10,259,351.03	7,080,684.56
of which from affiliated companies: €10,192,015.4 (Dec. 31, 2022: €6,831,890.22)		
	23,553,281.45	**25,732,930.99**
D. Miscellaneous assets		
I. Property and equipment and inventories	13,748.00	0.00
II. Current bank balances, checks and cash on hand	20,174,448.80	23,221,186.96
III. Other assets	0.00	111,722.84
	20,188,196.80	**23,332,909.80**
E. Prepaid expenses and accrued income		
I. Accrued interest and rent	925,678.06	484,683.10
II. Miscellaneous prepaid expenses and accrued income	201,676.67	240,959.43
	1,127,354.73	**725,642.53**
F. Deferred tax assets	**0.00**	**0.00**
G. Excess of plan assets over pension liabilities	**0.00**	**0.00**
Total assets	**407,632,632.16**	**400,036,502.04**

Balance sheet as of December 31 – equity and liabilities

(€)	Dec. 31, 2023	Dec. 31, 2022
A. Equity		
I. Subscribed capital	44,000,000.00	44,000,000.00
II. Capital reserves	10,490,518.89	10,490,518.89
III. Revenue reserves		
1. Statutory reserves	743,744.95	743,744.95
2. Other revenue reserves	88,641.88	88,641.88
	832,386.83	832,386.83
IV. Net retained profit	0.00	0.00
	55,322,905.72	**55,322,905.72**
B. Technical provisions		
I. Unearned premiums		
1. Gross amount	30,604,960.48	32,860,328.46
2. less: portion for outward reinsurance business	– 96,123.40	– 99,444.92
	30,508,837.08	32,760,883.54
II. Actuarial reserve		
1. Gross amount	13,051.00	14,526.00
2. less: portion for outward reinsurance business	0.00	0.00
	13,051.00	14,526.00
III. Provision for outstanding claims		
1. Gross amount	234,581,149.66	237,198,714.51
2. less: portion for outward reinsurance business	– 26,096,819.66	– 27,296,820.78
	208,484,330.00	209,901,893.73
IV. Provision for performance-based and non-performance-based bonuses and rebates	0.00	0.00
V. Equalization provision and similar provisions	40,349,398.00	43,748,368.00
VI. Miscellaneous technical provisions		
1. Gross amount	1,378,002.23	1,271,336.06
2. less: portion for outward reinsurance business	0.00	0.00
	1,378,002.23	**1,271,336.06**
	280,733,618.31	**287,697,007.33**

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Balance sheet as of December 31 – equity and liabilities

(€)	Dec. 31, 2023	Dec. 31, 2022
C. Other provisions		
I. Provisions for pensions and other post-employment benefits	37,752,390.00	36,620,956.00
II. Provisions for taxes	247,334.51	43,823.57
III. Miscellaneous provisions	3,579,372.00	3,464,540.48
	41,579,096.51	**40,129,320.05**
D. Deposits received from reinsurers	**0.00**	**0.00**
E. Other liabilities		
I. Liabilities from direct insurance business to		
1. policyholders	8,696,354.45	3,966,863.10
2. insurance brokers	2,036,539.99	1,433,289.54
of which to affiliated companies: €0.00 (Dec. 31, 2022: €0.00)		
	10,732,894.44	5,400,152.64
II. Liabilities from reinsurance business	1,848,202.07	2,176,741.81
of which to affiliated companies: €1,167,293.2 (Dec. 31, 2022: €1,611,120.78)		
III. Miscellaneous liabilities	17,415,915.11	9,310,374.49
of which tax liabilities: €2,062,294.15 (Dec. 31, 2022: €2,485,527.40)		
of which social security liabilities: €0.00 (Dec. 31, 2022: €2,138.29)		
of which to affiliated companies: €15,141,614.17 (Dec. 31, 2022: €6,631,933.85)		
of which to other long-term investees and investors: €0.00 (Dec. 31, 2022: €0.00)		
	29,997,011.62	**16,887,268.94**
F. Deferred income and accrued expenses	**0.00**	**0.00**
G. Deferred tax liabilities	**0.00**	**0.00**
Total equity and liabilities	**407,632,632.16**	**400,036,502.04**

As of December 31, 2023, the actuarial reserve amounted to €42,788,972.00 for annuities from general accident insurance, €544,793.00 for annuities from general liability insurance, and €2,439,839.00 for annuities from motor liability insurance. It is confirmed that the actuarial reserves recognized in line items B. II. 1. and B. III. 1. on the equity and liabilities side of the balance sheet have been calculated in accordance with sections 341f and 341g of the German Commercial Code (HGB) and in accordance with the statutory regulation enacted on the basis of section 88 (3) of the German Insurance Supervision Act (VAG).

Düsseldorf, January 12, 2024

The appointed actuary

Kathrin Khelaifia,
Dipl.-Mathematikerin (Bachelor of Mathematics)

II. Income Statement

Income statement for the period from January 1 to December 31

(€)	2023	2022
I. Underwriting account		
1. Premiums earned net of reinsurance		
a) Gross premiums written	213,838,663.95	220,093,343.43
b) Reinsurance premiums ceded	– 9,848,700.55	– 8,804,302.88
	203,989,963.40	211,289,040.55
c) Change in gross unearned premiums	2,255,367.98	– 1,028,591.86
d) Change in reinsurers' share of gross unearned premiums	– 3,321.52	24,481.59
	2,252,046.46	– 1,004,110.27
	206,242,009.86	**210,284,930.28**
2. Technical interest income net of reinsurance	**117,537.00**	**123,954.00**
3. Miscellaneous underwriting income net of reinsurance	**419,363.65**	**422,986.57**
4. Claims incurred net of reinsurance		
a) Payments for claims		
aa) Gross amount	113,663,333.78	112,093,276.37
bb) Reinsurers' share	– 4,068,553.10	– 9,501,787.86
	109,594,780.68	102,591,488.51
b) Change in provision for outstanding claims		
aa) Gross amount	– 2,635,411.08	– 5,331,680.03
bb) Reinsurers' share	1,200,001.12	4,676,508.67
	– 1,435,409.96	– 655,171.36
	108,159,370.72	**101,936,317.15**
5. Change in sundry net technical provisions	**– 105,191.17**	**– 33,668.76**
6. Expenses for performance-based and non-performance-based bonuses and rebates net of reinsurance	**0.00**	**0.00**
7. Insurance business operating expenses net of reinsurance		
a) Gross insurance business operating expenses	92,038,660.40	95,349,635.36
b) less: commissions received and profit sharing received from outward reinsurance business	– 1,058,050.74	– 1,424,243.18
	90,980,609.66	**93,925,392.18**
8. Miscellaneous underwriting expenses net of reinsurance	**1,451,765.75**	**1,360,566.21**

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→ Income statement for the period from January 1 to December 31

(€)	2023	2022
9. Subtotal	**6,081,973.21**	**13,575,926.55**
10. Change in the equalization provision and similar provisions	3,398,970.00	– 4,957,966.22
11. Underwriting result net of reinsurance	**9,480,943.21**	**8,617,960.33**
II. Non-underwriting account		
1. Income from investments		
a) Income from equity investments	2,589,035.08	2,561,864.24
of which from affiliated companies: €2,589,035 (2022: €2,561,864)		
b) Income from other investments		
of which from affiliated companies: €0 (2022: €0)		
aa) Income from land, land rights and buildings, including buildings on third-party land	0.00	0.00
bb) Income from other investments	1,836,897.75	2,281,531.42
	1,836,897.75	2,281,531.42
c) Income from reversals of write-downs	6,464.27	0.00
d) Gains on the disposal of investments	2,966,499.25	518,421.44
e) Income from profit-pooling, profit-transfer and partial profit-transfer agreements	3,957,583.58	521,372.96
	11,356,479.93	5,883,190.06
2. Expenses for investments		
a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments	1,456,854.31	1,203,970.58
b) Depreciation, amortization and write-downs of investments	86,941.86	3,325,616.53
c) Losses on the disposal of investments	2,771,406.26	0.00
d) Expenses from the transfer of losses	0.00	0.00
	4,315,202.43	4,529,587.11
3. Technical interest income	117,537.00	123,954.00
	6,923,740.50	**1,229,648.95**
4. Other income	3,006,627.78	2,851,305.77
5. Other expenses	6,753,038.61	7,612,529.77
	– 3,746,410.83	**– 4,761,224.00**
6. Profit/loss from ordinary activities	**12,658,272.88**	**5,086,385.28**
7. Extraordinary income	0.00	0.00
8. Extraordinary expenses	0.00	0.00

→

→ Income statement for the period from January 1 to December 31

(€)	2023	2022
9. Net extraordinary income/expense	0.00	0.00
	12,658,272.88	**5,086,385.28**
10. Income taxes	495,911.03	141,701.83
11. Miscellaneous taxes	4,137.24	3,557.01
	500,048.27	**145,258.84**
12. Income from the transfer of losses	**0.00**	**0.00**
Profits transferred under a profit-pooling, profit-transfer or partial profit-transfer agreement	**12,158,224.61**	**4,941,126.44**
14. Net income for the year	**0.00**	**0.00**
15. Net retained profit	**0.00**	**0.00**

Notes to the Financial Statements

III. General Disclosures

ARAG Allgemeine Versicherungs-AG is entered in the commercial register of the Düsseldorf local court under the number HRB 10418. Its registered office is ARAG Platz 1, 40472 Düsseldorf, Germany.

The Company prepared these financial statements for 2023 in accordance with the requirements of the German Commercial Code (HGB) for large corporations. When preparing the financial statements, it also took into account the supplementary provisions applicable to corporations and the additional provisions applicable to insurance companies, the German Insurance Supervision Act (VAG), and the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

The presentation of the notes to the financial statements has changed compared with the prior year. The change in presentation is intended to improve the clarity of reporting. It also brings the reporting by all insurance companies in the ARAG Group into line, which helps to make the preparation of the notes to the financial statements more efficient and improve comparability.

Due to currency amounts being presented in thousands, the precise mathematical amounts may differ from those presented as a result of rounding differences. Those differences may affect totals and percentages.

The financial statements are presented on the basis of financial statement forms 1 and 2 pursuant to section 2 RechVersV. The Company is a large corporation within the meaning of section 267 (3) HGB. Therefore, and pursuant to the obligations under section 341a (1) HGB, the accounting rules for large corporations were applied.

On December 27, 2023, the German Act to Ensure Global Minimum Taxation for Corporate Groups (Minimum Tax Act [MinStG]) was published in the German Federal Tax Gazette. The aim of MinStG is to ensure a minimum effective tax rate of 15 percent for multinationals, irrespective of the country in which the profits were generated. If this level of effective tax is not achieved under applicable national tax law (e.g. the Corporate Income Tax Act [KStG] and the Trade Tax Act [GewStG] in Germany), a top-up tax is levied. MinStG applies for the first time to financial years beginning in 2024.

The Company is subject to the rules on global minimum taxation due to being part of the ARAG Group. The parent company is currently analyzing the situation to ensure it will meet the requirements of the new law. There are no quantitative effects on the single-entity financial statements for 2023. Any potential effects on future financial statements cannot be quantified at present.

IV. Disclosures on Accounting Policies

The single-entity financial statements of the entities included in the consolidated financial statements are nearly all prepared in accordance with the same accounting policies used by the ARAG Group. The following accounting principles and valuation requirements arising from the pertinent legislation were applied.

Accounting policies

Intangible assets
Purchased intangible assets are recognized at cost on the balance sheet and reduced by straight-line amortization according to their estimated useful life.

Goodwill
These assets are the goodwill – resulting from the new branch established in the Republic of Ireland in 2019 and an associated portfolio transfer – that will be amortized on a straight-line basis over its expected useful life, calculated by the Company to be ten years.

No internally generated intangible assets were recognized on the balance sheet.

Investments in affiliated companies and equity investments
Investments in affiliated companies and equity investments are valued at cost, written down accordingly where permanent impairment has occurred.

Equities, investment fund shares/units, and other variable-yield securities
Securities that have been classified as current assets are valued following the strict principle of lower of cost or market value. If the reasons for a write-down cease to apply, the write-down is reversed to the lower of cost or fair value.

If investments are classified for permanent use in business operations, short-term fluctuations in the market price do not result in changes to the carrying amount due to application of the discretionary principle of lower of cost or market value. Only long-term changes in fair value are recognized.

The long-term fund value is calculated by looking through to the individual components of the fund. Criteria for reviewing long-term changes in the value of fixed-income securities are their credit rating and nominal amount. Comparisons with historical valuation parameters are used for equities. For shares in affiliated companies, in infrastructure investments, and in real estate investments, expert appraisals are obtained from the investment management companies based on the net asset value (NAV) for the quarter prior to the reporting date.

Bearer bonds and other fixed-income securities
Contrary to the principle set forth in section 341b (2) HGB and unless stated otherwise, bearer bonds and other fixed-income securities are treated as fixed assets and therefore the discretionary principle of lower of cost or market value is used. The strict principle of lower of cost or market value is applied to securities without a rating. A write-down to less than the nominal value is considered permanent if there has been a material deterioration in the issuer's credit rating. An indicator of this is if the credit rating has been downgraded by two or more notches since acquisition. If contractually defined payments are in default, permanent impairment can be assumed. The write-down to fair value is determined using the maturity-dependent probability of default in conjunction with the loss given default.

The fair value is used for subsequent measurement until such time as the reason for the write-down no longer applies. If securities are acquired above or below par and held to maturity, the difference between this amount and the nominal value forms a component of cost. It is posted together with the security but treated separately. The difference (a premium or a discount) is amortized over the term of the bearer bond using the effective interest method.

Registered bonds
Registered bonds are accounted for at their nominal or redemption amount. Any premiums to be accrued and discounts to be deferred are reclassified to income using the straight-line method over the term to maturity. Any zero-coupon registered bonds are recognized at the lower of amortized cost or fair value.

Promissory notes and loans, and sundry lending
Promissory notes, loans, and sundry lending items are recognized at cost unless permanently impaired. Premiums and discounts are taken into account using the effective interest method.

The structured products held in the portfolio of direct investments in registered bonds and promissory notes are simply structured products pursuant to the pronouncement IDW AcP HFA 22 issued by the Main Technical Committee of the Institute of Public Auditors in Germany (IDW).

Bank deposits
Bank deposits are recognized at their nominal amount.

Investments are individually assigned to the business units (headquarters and branches). The assignment is documented by recording the investments in the relevant books of the business unit concerned. Income from investments is allocated to each business unit according to the assignment of the investment in question. Assignments are reviewed annually using the modified capital allocation approach determined by the German tax authorities – which has been approved by the Organisation for Economic Co-operation and Development (OECD) – and adjusted by means of compensatory payments where necessary.

Receivables from policyholders
Receivables from direct insurance business are generally recognized at their nominal amount. Where necessary, receivables from policyholders are written down, are reduced by specific allowances on the basis of exceeding a predefined due date, or are reduced by a general allowance.

Receivables from insurance brokers
Receivables from insurance brokers are reduced by specific allowances and, where applicable, a general allowance in the amount of the likely default.

Receivables from reinsurance business
Receivables from reinsurance business are recognized at the amount of the outstanding balances.

Miscellaneous receivables
These receivables are generally recognized at their nominal amount.

Property and equipment and inventories
Property and equipment is recognized at cost and depreciated on a straight-line basis over the standard operating useful life.

Current bank balances, checks and cash on hand
Current bank balances, checks, and cash on hand are recognized at cost. This equates to the nominal amount. Balances are documented in the form of bank statements and cash records. Payment orders that have been issued but not executed as of the reporting date are deducted from the balances for the purposes of the carrying amounts reported on the balance sheet.

Bank balances denominated in foreign currency are translated using the middle spot rate as of the reporting date, disregarding both historical cost convention and the realization principle.

Other assets
Other assets are recognized at their nominal amount, which equates to their cost.

Prepaid expenses and accrued income
Prepaid expenses and accrued income are recognized at nominal value and mainly consist of rights to interest that are not yet due in respect of the income period before the balance sheet date and premiums in connection with registered bonds.

Deferred tax assets and liabilities
If differences arise between the carrying amounts in the HGB financial statements and those in the tax base and these differences are expected to reverse in subsequent years, deferred taxes are recognized in respect of these differences using the entity-specific tax rate. Deferred taxes are calculated by netting the deferred tax assets with the deferred tax liabilities.

As ARAG Allgemeine and ARAG SE form a single entity for corporation tax, trade tax, and VAT purposes, the deferred taxes are recognized at the level of the tax group parent.

Equity
The Company’s share capital is reported as subscribed capital. The capital reserves consist of capital receipts from external sources that are not derived from its earnings. The revenue reserves comprise the statutory reserves and the other revenue reserves. When single-entity financial statements are prepared following appropriation of some of the net income by the Management Board, the net retained profit comprises the balance of net income for the year, profit or loss carried forward from the previous year, and changes in other revenue reserves.

Unearned premiums
Gross unearned premiums for direct insurance business are calculated pro rata on the basis of the premiums and lapses/cancellations posted, less the installment surcharges. The non-transferable income components are deducted from the unearned premiums.

The gross unearned premiums for inward reinsurance business are recognized in accordance with the information provided by the primary insurer.

The reinsurers’ share of the unearned premiums is determined in accordance with the contractual agreements.

Actuarial reserve
The components of premiums from anticipated premium-free children’s accident insurance policies are added to the children’s accident actuarial reserves. The calculation is carried out using mathematical principles in accordance with the underwriting business plan.

Provision for outstanding claims
The provision for outstanding claims in relation to direct insurance business is recognized separately by event year for claims reported in the financial year concerned and for claims that have occurred up to the balance sheet date but have not yet been reported. The provision for outstanding claims is generally determined individually and measured according to specific requirements.

If there is a high number of open claims with similar risks, group-based valuation approaches are used if individual valuation would be difficult or involve a disproportionate amount of effort.

General provisions are recognized for claims incurred but not reported and reopened claims on the basis of empirical values.

The benefit reserve for annuities contained in the provision for outstanding claims is calculated individually using actuarial principles and in accordance with the Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV), taking the expenses required for settlement into account.

A provision for claim settlement expenses is recognized. This provision is valued in accordance with prudent business practice, taking into account the ongoing need to satisfy the obligations under insurance contracts. Valuation is based on values as of the balance sheet date.

The claims provisions for inward reinsurance business are recognized in accordance with the information provided by the primary insurer. If the information from the primary insurer is clearly insufficient, additional reserves are recognized. They are estimated using actuarial forecasting methods.

The portions relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties.

Equalization provision

The equalization provision for the direct insurance and inward reinsurance business is recognized and valued in accordance with section 341h HGB in conjunction with section 29 RechVersV. For the annual adjustment amounts, the calculated equalization provision is allocated between the Company headquarters and the branches according to gross premiums earned in each class of insurance.

The calculation is carried out separately for the direct insurance business and for the inward reinsurance business, in each case broken down by class of insurance.

Miscellaneous technical provisions

Miscellaneous technical provisions are recognized in the required settlement amount determined in accordance with prudent business practice. Miscellaneous technical provisions with a maturity of more than one year are discounted using the discount rate published by Deutsche Bundesbank for their term to maturity.

The lapse provision (reported under miscellaneous technical provisions) for discontinuation and reduction of risk in direct insurance business was calculated using a lapse rate based on empirical values in the year under review.

Following a review, a provision for anticipated losses as required by section 341e (2) no. 3 HGB had to be recognized for composite residential buildings insurance in 2023. The provision required for 2023 came to €171 thousand.

The provision recognized for premium waivers relates to rate scales under which the obligation to pay the premiums is waived for up to five years, e.g. in the event of unemployment. The provision offsets the expenses that are likely to be incurred (claims, costs, commissions) during the period of unemployment. The expected duration of the waiver of premiums is estimated on the basis of internal statistical analysis. The provision for assistance for victims of traffic accidents is, where available, recognized on the basis of the share specified by the German Road Casualty Support Organization, otherwise on the basis of empirical values.

The technical provisions in inward reinsurance business are recognized in the amount of the premiums ceded by the primary insurer.

The reinsurers' share of technical provisions is determined in accordance with the relevant contracts.

Provisions for pensions and other post-employment benefits

Provisions for pensions and other post-employment benefits are calculated using actuarial principles in accordance with the projected unit credit (PUC) method on the basis of the Heubeck 2018 G mortality tables.

In addition to current circumstances, future trends in salaries, pensions, and staff turnover are taken into account. The discount rate used is the average interest rate for the past ten years published by Deutsche Bundesbank in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) for an assumed residual maturity of 15 years. In 2022 and 2023, a discount rate was applied for the valuation as of December 31 based on the average for the past ten years. This rate as of the reporting date was 1.83 percent (December 31, 2022: 1.79 percent). The interest rate used was forecast at the end of the year using market data as of October 1, 2023 and was determined in accordance with RückAbzinsV.

As of December 31, 2023, the difference between the application of the ten-year average and the seven-year average (1.76 percent; December 31, 2022: 1.45 percent) caused a reduction in the provision for pensions and other post-employment benefits of €357 thousand (December 31, 2022: €1,784 thousand).

The following actuarial parameters were used to calculate the obligations: pension age: earliest possible age under the German Pension Age Reform Act (RVAGAnpG); annual increase in salaries: 2.50 percent; annual increase in pension benefits: 2.40 percent. The level of staff turnover taken into account reflects the generally observable age-dependent average for the industry and has only a minor impact on the settlement value.

Assets from reinsurance are offset against the defined benefit obligation. The fair value of the assets corresponds to the settlement amount of the offset liabilities.

The option pursuant to section 28 (1) of the Introductory Act to the German Commercial Code (EGHGB), which permits provisions for pensions and other post-employment benefits not to be recognized for legacy entitlements, has not been exercised.

Provisions for taxes

Provisions for taxes are recognized in the anticipated settlement amount determined in accordance with prudent business practice.

Miscellaneous provisions

The miscellaneous provisions are generally recognized in the amount that is necessary to settle the obligation according to prudent business practice. Their residual maturity is generally less than one year.

Miscellaneous provisions with a maturity of more than one year are discounted using the discount rate published by Deutsche Bundesbank for their term to maturity.

Specific accounting policies are applied to the following key miscellaneous provisions:

Provisions for pre-retirement part-time employment agreements

In 2023, a provision in accordance with the pre-retirement part-time employment agreement for the private insurance industry was recognized – in line with the relevant IDW accounting principle – using a maturity-matched discount rate of 1.76 percent (2022: 1.45 percent). Credit balances on employee working hours account models are protected against insolvency in accordance with the German Pre-Retirement Part-Time Employment Act (AltTZG) by means of a fixed liability guarantee from a German commercial bank.

Long-service provision

A long-service provision was recognized in the year under review for long-service awards to be paid to employees. The provision was calculated using the projected unit credit method taking into account death rates pursuant to the Heubeck 2018 G mortality tables and applying a discount rate of 1.76 percent (seven-year average; 2022: 1.45 percent) in accordance with section 253 (2) HGB. The calculation also included staff turnover at an average rate of 1.5 percent and salary increases at a rate of 2.5 percent. The earliest possible pension age under RVAGAnpG was selected as the final age.

Other liabilities
The liabilities from direct insurance business and the liabilities from reinsurance business are valued at their nominal amount in euros. All non-interest-bearing liabilities are valued at the higher of their nominal amount or settlement value. Miscellaneous liabilities are recognized at their settlement value.

Currency translation
Receivables and liabilities that are due in less than one year and denominated in foreign currency are recognized using the middle spot rate as of the reporting date, disregarding both the historical cost convention and the realization principle.

Income and expenses are recognized using the transaction exchange rate on the date of the relevant inflow or outflow.

Fair value disclosures pursuant to section 54 RechVersV

Fair values for investments in affiliated companies and equity investments
The shares and equity investments are generally valued using the income capitalization approach.

If equity investments and shares are acquired close to the reporting date, the carrying amount is used as the fair value.

Fair values for equities, investment fund shares/units, bearer bonds, and other fixed-income securities
The fair value of publicly traded investment fund shares/units is based on the quoted market price as of the reporting date.

For institutional investment fund shares/units, the fair value is determined in a fund look-through. Equities within the funds are recognized at their quoted market price, whereas fixed-income securities within the funds are recognized at their market value. The fair value of publicly traded investment fund shares/units is based on the quoted market price as of the reporting date.

Shares/units in infrastructure funds, real estate funds, and private equity funds are recognized at their reported NAVs.

The fair values of fixed-income securities are determined using their quoted market prices and the valuation method for this balance sheet line item described above.

Fair values of miscellaneous investments
The market values of securities that are not exchange-traded (registered bonds, promissory notes) are calculated on the basis of the swap curve. This involves determining the discount rate on the swap curve corresponding to the maturity of the security being valued. Any spreads resulting from the structure of the individual security (maturity, collateral, credit rating, etc.) are taken into account as appropriate. The remaining investments are recognized at quoted market price or market value.

Fair values broken down by asset class
The fair values broken down by asset class are shown under 'Balance Sheet Disclosures – Assets' in the notes to the financial statements.

V. Balance Sheet Disclosures – Assets

Changes in asset items A., B., I. to III. in the financial year

(€'000)	Carrying amount Dec. 31, 2022	Currency translation differences	Additions	Disposals	Reclassifications	Reversals of write-downs	Write-downs	Carrying amount Dec. 31, 2023	Fair value pursuant to sec. 54 RechVersV	Hidden reserve/ undisclosed liability Dec. 31, 2023
A. Intangible assets										
1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	0	0	0	0	0	0	0	0	0	0
2. Goodwill	2,668	0	0	0	0	0	385	2,283	2,283	0
Total for A.	**2,668**	**0**	**0**	**0**	**0**	**0**	**385**	**2,283**	**2,283**	**0**
B. I. Land, land rights and buildings, including buildings on third-party land	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
II. Investments in affiliated companies and equity investments										
1. Shares in affiliated companies	45,911	0	4,373	695	0	0	0	49,589	88,095	38,506
2. Lending to affiliated companies	0	0	0	0	0	0	0	0	0	0
3. Equity investments	0	0	0	0	0	0	0	0	0	0
4. Lending to long-term investees and investors	0	0	0	0	0	0	0	0	0	0
Total for B. II.	**45,911**	**0**	**4,373**	**695**	**0**	**0**	**0**	**49,589**	**88,095**	**38,506**
III. Miscellaneous investments										
1. Equities, investment fund shares/units, and other variable-yield securities	194,741	0	24,680	47,340	0	0	87	171,994	203,157	31,163
2. Bearer bonds and other fixed-income securities	53,332	0	36,705	9,723	0	1	0	80,315	76,220	– 4,095
3. Loans secured by mortgages or land charges and fixed-income receivables	0	0	0	0	0	0	0	0	0	0
4. Miscellaneous lending										
a) Registered bonds	39,500	0	5,000	0	0	0	0	44,500	40,936	– 3,564
b) Promissory notes and loans	14,008	0	0	17	0	5	0	13,996	13,245	– 750
c) Loans and prepayments for certificates of insurance	0	0	0	0	0	0	0	0	0	0
d) Sundry lending	0	0	0	0	0	0	0	0	0	0
5. Bank deposits	85	2	0	0	0	0	0	87	87	0
6. Other investments	0	0	0	0	0	0	0	0	0	0
Total for B. III.	**301,665**	**2**	**66,385**	**57,081**	**0**	**6**	**87**	**310,892**	**333,645**	**22,754**
Total for B.	**347,576**	**2**	**70,758**	**57,776**	**0**	**6**	**87**	**360,481**	**421,740**	**61,260**
Total	**350,245**	**2**	**70,758**	**57,776**	**0**	**6**	**472**	**362,764**	**424,023**	**61,260**

Investments in affiliated companies and equity investments

Shares in affiliated companies and equity investments with a shareholding of at least 20.0 percent that are intended to serve the Company's own operations by establishing a lasting relationship were as follows:

List of shareholdings

Name and registered office of company	Shareholding	Equity	Net income/loss for the year
	(%)	(€'000)	(€'000)
ALIN 2 GmbH & Co. KG, Düsseldorf	100.00	23,403	1,062
ALIN 2 Verwaltungs-GmbH, Düsseldorf	100.00	35	2
ARAG 2000 Grundstücksgesellschaft eGbR, Düsseldorf	25.00	67,925	3,734
ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf	50.00	6,077	1,917
ARAG Service Center GmbH, Düsseldorf	20.00	399	73
Interlloyd Versicherungs-AG, Düsseldorf	100.00	7,393	3,958

Equities, investment fund shares/units, and other variable-yield securities

No write-downs following the strict principle of lower of cost or market value needed to be recognized in the reporting year (2022: €0 thousand).

Write-downs of €87 thousand had to be recognized in line with the discretionary principle of lower of cost or market value (2022: €3,302 thousand). No reversals of write-downs were required in 2023 or 2022.

As of the reporting date, there were no undisclosed liabilities that had not been netted as a result of the application of the discretionary principle of lower of cost or market value (December 31, 2022: €1,287 thousand).

The portfolio of investments contains the following investment funds of which more than 10.0 percent is held by the Company:

Disclosures pursuant to section 285 no. 26 HGB

Fund	Type of fund	Investment objective	Carrying amount Dec. 31, 2023	Market value Dec. 31, 2023	Difference	Dividend in 2023
			(€'000)	(€'000)	(€'000)	(€'000)
ALLTRI	Mixed fund	Increased income	171,542	202,682	31,139	449
Total			**171,542**	**202,682**	**31,139**	**449**

Bearer bonds and other fixed-income securities

Bearer bonds with a carrying amount of €70,678 thousand (December 31, 2022: €53,332 thousand) were classified as permanent investments and treated as fixed assets at ARAG Allgemeine.

In 2023, no bearer bonds were reclassified from current assets to fixed assets.

No write-downs following the strict principle of lower of cost or market value needed to be recognized in the reporting year (2022: €0 thousand).

No write-downs following the discretionary principle of lower of cost or market value were recognized either (2022: €3 thousand).

In 2023, reversals of write-downs were recognized in an amount of €1 thousand (2022: €0 thousand) because there was a recovery in value.

As of the reporting date, application of the discretionary principle of lower of cost or market value resulted in undisclosed liabilities of €5,487 thousand that had not been netted (December 31, 2022: €10,060 thousand).

Registered bonds

No write-downs to a lower fair value were necessary in the year under review or the previous year.

No write-downs were reversed in 2023 (2022: €0 thousand).

The carrying amount of the registered bonds came to €44,500 thousand as of December 31, 2023 (December 31, 2022: €39,500 thousand); their fair value stood at €40,936 thousand (December 31, 2022: €34,155 thousand). Eight of the registered bonds recognized at their nominal amounts less any amounts redeemed gave rise to an undisclosed liability of €3,816 thousand (December 31, 2022: €5,345 thousand).

Promissory notes and loans, and sundry lending

No write-downs to a lower fair value needed to be recognized in the reporting year (2022: €20 thousand).

Reversals of write-downs of €5 thousand were recognized in the reporting year (2022: €0 thousand).

The carrying amount of the promissory notes came to €13,996 thousand as of December 31, 2023 (December 31, 2022: €14,008 thousand); their fair value stood at €13,245 thousand (December 31, 2022: €12,711 thousand). Four of the promissory notes and loans gave rise to an undisclosed liability of €750 thousand (December 31, 2022: €1,297 thousand).

Receivables from reinsurance business

The balance of €423 thousand (December 31, 2022: €3,085 thousand) generally arose from outward reinsurance business. The amounts recognized are the outstanding balances.

Rating class

(Proportion [%] by fair value)	Dec. 31, 2023
AAA	0%
AA	3%
A	97%
BBB	0%
BB	0%
B	0%
CCC	0%
CC	0%
C	0%
D	0%
Not rated	0%

Miscellaneous receivables

All items under miscellaneous receivables are due within one year.

Miscellaneous receivables mainly comprised balances of €2,861 thousand due from ARAG SE within the intragroup cash pool.

Prepaid expenses and accrued income

Prepaid expenses and accrued income mainly consist of accrued rights to interest that are not yet due in respect of the income period before the balance sheet date and premiums in connection with registered bonds and promissory notes in accordance with section 341c (2) sentence 1 HGB.

VI. Balance Sheet Disclosures – Equity and Liabilities

Equity

Equity

(€'000)	Dec. 31, 2023	Dec. 31, 2022
Total equity	**55,323**	**55,323**
of which		
1. Subscribed capital		
Share capital	44,000	44,000
2. Capital reserves pursuant to section 272 (2) no. 4 HGB		
Capital reserves as of Jan. 1	10,491	10,491
Capital reserves as of Dec. 31	10,491	10,491
3. Revenue reserves		
a) Statutory reserves		
Brought forward as of Jan. 1	744	744
Balance as of Dec. 31	744	744
b) Other revenue reserves		
Brought forward as of Jan. 1	89	89
Balance as of Dec. 31	89	89
	832	832
4. Net retained profit		
Net retained profit as of Jan. 1	0	0
Net retained profit as of Dec. 31	**0**	**0**

The subscribed capital has been fully paid up by the shareholders.

In previous years, the statutory reserves had to be recognized in accordance with section 300 of the German Stock Corporation Act (AktG). No addition to the statutory reserves was necessary in 2023.

The capital reserves consist of amounts that shareholders have contributed to the equity of the Company in accordance with section 272 (2) no. 4 HGB.

The full amount of the statutory reserves has been recognized pursuant to section 150 (2) AktG.

Technical provisions

Provision for outstanding claims

As of December 31, 2023, the provision for outstanding claims (net) including the portion of the provision for settlement expenses amounted to €186,551 thousand in direct business (December 31, 2022: €189,602 thousand) and €21,933 thousand (December 31, 2022: €20,300 thousand) in inward reinsurance business.

Equalization provision

In accordance with the calculation requirements specified in RechVersV, there was a reversal of the equalization provision in a total amount of €3,399 thousand on the basis of the trends in claims and premiums (2022: addition of €4,958 thousand). As a result, the equalization provision amounted to €40,349 thousand as of the balance sheet date (December 31, 2022: €43,748 thousand).

Other provisions

Provisions for pensions and other post-employment benefits

Since 2010, this item has also included the offsetting of pension benefit entitlements under reinsurance in accordance with section 246 (2) sentence 2 HGB. The breakdown of this item as of December 31, 2023 was therefore as follows:

Defined benefit obligations

(€'000)	Dec. 31, 2023	Dec. 31, 2022
Amount required to settle the vested entitlements	37,935	36,809
of which offsetable against pension insurance assets	183	188
of which offsetable against securities	0	0
Remaining amount	**37,752**	**36,621**

Provisions for taxes

In 2023, provisions for taxes of €247 thousand (December 31, 2022: €44 thousand) had to be recognized for tax demands, the reason for or amount of which was not yet known.

No provisions had to be recognized for miscellaneous taxes and for tax amounts identified by tax audits that have not yet been pursued.

Miscellaneous provisions

The Company had the following miscellaneous provisions as of the reporting date:

Miscellaneous provisions

(€'000)	Dec. 31, 2023	Dec. 31, 2022
Long-service obligations	488	548
Bonuses	599	483
Costs for the annual financial statements and for auditing	290	377
Pre-retirement part-time employment	221	198
Vacation entitlement and flextime obligations	340	252
Reimbursement of the Supervisory Board's expenses	150	150
Purchase invoices not yet received	240	275
Bonuses	10	2
Variable remuneration	1,123	1,049
Sundry other provisions	118	131
Total	**3,579**	**3,465**

VII. Income Statement Disclosures

Insurance business

Direct insurance business

	Total insurance business		Direct insurance business (total)		Accident insurance		Liability insurance		Fire and property insurance	
(€'000)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Gross premiums written	213,839	220,093	182,115	189,000	47,348	47,261	46,714	45,834	62,475	57,644
Gross premiums earned	216,094	219,065	184,677	188,215	47,398	47,229	46,698	45,868	62,066	57,314
Net premiums earned	206,242	210,285	174,825	179,435	44,889	45,073	44,462	43,796	58,121	54,251
Gross expenses for claims	111,028	106,762	94,905	92,909	23,861	19,436	16,214	19,319	38,216	35,899
Gross insurance business operating expenses	92,039	95,350	77,058	81,044	19,210	17,265	19,007	19,199	27,612	24,073
of which front-end fees	27,971	28,553	26,378	31,618						
of which administrative expenses	64,068	62,810	50,680	49,426						
Reinsurance balance	5,925	2,530	5,925	2,530	151	1,172	1,149	1,797	4,809	– 699
Underwriting result net of reinsurance before equalization provision	4,998	13,576	5,326	11,506	4,168	9,587	10,440	5,640	– 10,177	– 2,546
Underwriting result net of reinsurance after equalization provision	8,397	8,618	7,353	6,490	4,168	9,587	13,736	6,090	– 11,202	– 6,799
Gross technical provision (total)	306,927	315,093	261,840	270,574	102,066	98,162	65,101	73,935	61,993	58,925
of which gross provision for outstanding claims	234,581	237,199	212,648	216,899	96,933	92,962	52,389	57,920	43,562	42,080
of which lapse provision	1,190	1,260	1,190	1,260	274	307	256	278	517	536
of which equalization provision and similar provision	40,349	43,748	25,232	27,260	0	0	7,123	10,419	12,429	11,404
Number of insurance policies with a term of at least one year	1,965,260	5,062,589	1,965,260	5,062,589	145,776[1]	148,234[1]	304,551[1]	298,996[1]	356,690	344,537
Technical interest income net of reinsurance relating to benefit reserve for annuities (0.25 percent)	118	124	118	124	107	108	1	2	0	0

[1] These insurance segments contain 17 group contracts (2022: 17) with 20,658,358 insured risks (2022: 20,222,892).

of which composite home contents insurance		of which composite residential buildings insurance		of which miscellaneous property insurance		Legal insurance		Emergency assistance insurance		Miscellaneous insurance		Inward business (total)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
24,185	23,016	21,168	19,264	17,121	15,365	8,676	15,766	8,051	14,656	8,852	7,839	31,723	31,093
24,212	22,958	20,948	19,201	16,906	15,155	10,822	15,310	9,004	14,854	8,689	7,640	31,417	30,850
22,315	21,613	19,249	17,820	16,556	14,817	10,822	15,310	8,761	14,668	7,771	6,338	31,417	30,850
12,257	12,043	20,957	18,775	5,002	5,080	3,887	5,586	8,285	9,448	4,443	3,222	16,123	13,853
10,855	10,425	9,224	7,013	7,533	6,635	4,823	7,654	2,980	9,777	3,426	3,075	14,981	14,306
												1,592	2,175
												13,388	12,130
1,806	386	1,190	– 851	1,812	– 234	0	0	– 5	59	– 179	200	0	0
– 729	68	– 11,679	– 5,970	2,231	3,356	2,111	2,070	– 2,228	– 4,402	1,012	1,157	– 327	2,070
271	357	– 10,353	– 7,508	– 1,120	352	2,557	1,017	– 2,228	– 4,402	322	997	1,044	2,127
11,823	12,331	30,375	28,072	19,795	18,522	13,945	17,053	4,666	6,616	14,068	15,883	45,087	44,519
7,953	7,421	25,791	22,551	9,818	12,108	7,159	7,676	1,635	2,628	10,971	13,632	21,933	20,300
201	214	175	179	141	143	0	0	64	67	79	72	0	0
2,903	3,903	2,294	3,619	7,233	3,882	4,831	5,276	0	0	850	160	15,117	16,489
196,133	193,008	43,408	42,339	117,149	109,190	924,367	3,186,449	178,207	984,108	55,669[1]	100,265[1]	0	0
0	0	0	0	0	0	0	0	0	0	9	15	0	0

Number of insurance policies with a term of at least one year

Direct insurance business	2023	2022
(No.)		
Germany	1,000,254	975,316
International	965,006	4,087,273
Total	**1,965,260**	**5,062,589**

Source of insurance business by premiums written

Direct insurance business	2023	2022
(€'000)		
Germany	172,968	165,846
International	9,147	23,154
Total	**182,115**	**189,000**

Interest from discounting

Interest income of €5 thousand (2022: €1 thousand) and interest expenses of €10 thousand (2022: €7 thousand) arose from the discounting of provisions with a maturity of more than one year. The interest related in particular to provisions for long-service awards, bonuses, and pre-retirement part-time employment.

Profit/loss on settlements

The net profit on settlements from the 2022 claims reserve in direct business (net of reinsurance) came to €16,933 thousand in 2023 (2022: €18,164 thousand), which was almost 8.9 percent (2022: 9.5 percent) relative to the corresponding initial reserve. The profit was attributable to reversals of unused claims provisions in the accident and liability segments. The net profit on settlements from reversals of unused claims provisions for inward reinsurance business amounted to €506 thousand (2022: €1,369 thousand).

Miscellaneous underwriting income and expenses

Miscellaneous underwriting income included, in particular, income from reminder fees. Miscellaneous underwriting expenses primarily consisted of expenses for the fire protection tax of €1,419 thousand (2022: €1,310 thousand).

Reinsurance balance

The balance of premiums ceded to reinsurers, the reinsurers' share of gross expenses for claims incurred, and reinsurance commissions came to €5,925 thousand (2022: €2,530 thousand).

Net extraordinary income/expense

No extraordinary income or expenses arose in the year under review.

Income taxes

Of the income taxes in the income statement, €500 thousand related to 2023 (2022: €145 thousand).

The net tax expense recognized chiefly related to tax expenses from the international branches.

As ARAG Allgemeine and ARAG SE form a single entity for corporation tax, trade tax, and VAT purposes, the deferred taxes resulting from differences between the carrying amounts in the Company's financial statements and those in the tax base are recognized at the level of the tax group parent.

Following the conclusion of the profit-and-loss transfer agreement, ARAG Allgemeine and ARAG SE also form a single entity for income tax purposes. Consequently, income is taxed at the level of the parent company. The results of the more realistic assessment (BMF circular dated May 5, 2000) and the discounting of the claims provisions (BMF circular dated October 20, 2016) are taken into account when determining the basis of assessment for income tax.

VIII. Other Disclosures

Miscellaneous financial commitments and contingent liabilities pursuant to sections 251 and 285 no. 3a HGB

Investment agreements have been concluded with various private equity funds through the affiliated company ALIN 2 GmbH & Co. KG. Calls from the funds result in cash being paid into ALIN 2 GmbH & Co. KG immediately before payment is due in order to provide the required liquidity. Calls at short notice of €11,917 thousand (2022: €14,417 thousand) are expected on the basis of open-ended investment agreements. As of the reporting date, ARAG Allgemeine had call commitments of €130 thousand (December 31, 2022: €147 thousand) toward four other infrastructure funds and private equity funds that are recognized under investment fund shares/units. This was on the basis of outstanding contributions to be made by the Company as a limited partner that were not yet due.

Commissions and other remuneration for insurance agents, staff costs

Commissions and other remuneration for insurance agents, staff costs

(€'000)	2023	2022
Commissions of all types for insurance agents within the meaning of section 92 HGB for direct insurance business	49,680	55,125
Other remuneration for insurance agents within the meaning of section 92 HGB	2	29
Wages and salaries	11,745	10,727
Social security and other employee benefit expenses	1,987	1,848
Pension and other post-employment benefit expenses	2,463	2,475
Total expenses	**65,877**	**70,204**

Employees

The average number of employees in 2023 was 167 (2022: 162), of whom 82 worked in domestic claims (2022: 79), 66 in sports insurance (2022: 64), and 19 in other departments (2022: 19).

Supervisory Board and Management Board remuneration

In the year under review, ARAG Allgemeine's Supervisory Board received remuneration of €150 thousand (2022: €150 thousand). The remuneration for members of the Management Board came to €1,013 thousand in 2023 (2022: €813 thousand). Remuneration for former members of the Management Board and their surviving dependants amounted to €935 thousand (2022: €984 thousand). A provision of €15,475 thousand was recognized for current pensions and vested pension entitlements of former members of the Management Board and their surviving dependants (December 31, 2022: €15,151 thousand).

The Management Board's remuneration is partly derived from intragroup charging among Group companies.

Auditor's fees

A total net fee of €141 thousand (2022: €141 thousand) was agreed with the auditor for the audit of the 2023 single-entity financial statements and the Solvency II balance sheet as of December 31, 2023. This amount was expensed in 2023. No other fees from the auditor were incurred. As the Company is not entitled to offset input VAT, the VAT is recognized as an expense.

Group affiliation

ARAG SE holds all the shares in ARAG Allgemeine Versicherungs-AG and thus has a controlling interest within the meaning of section 16 (1) AktG. ARAG SE has notified ARAG Allgemeine of this controlling interest in accordance with section 20 (1) and (4) AktG. ARAG Holding SE indirectly holds a majority interest in ARAG SE. ARAG Allgemeine is therefore indirectly controlled by ARAG Holding SE and – in accordance with article 9 (1) of the Regulation on the statute for a European company (SE) of November 10, 2001 in conjunction with section 17 (2) AktG – a dependent entity within the meaning of section 17 (1) AktG.

The Company is included in the consolidated financial statements of ARAG Holding SE, Düsseldorf. The consolidated financial statements of ARAG Holding SE are published in the electronic Federal Gazette and in the Company Register of the German Federal Ministry of Justice. The Company does not prepare its own consolidated financial statements, as the consolidated financial statements of ARAG Holding SE have an exempting effect pursuant to section 291 HGB.

Governing bodies of the Company

The members of the Company's governing bodies are as follows:

Supervisory Board

The employees have a right of codetermination pursuant to section 1 (1) of the German One-Third Participation Act (DrittelbG), under which a third of the members of the Supervisory Board must be employee representatives.

Shareholder representatives:

Dr. Dr. h. c. Paul-Otto Faßbender	Chairman; CEO of ARAG Holding SE, Düsseldorf
Hanno Petersen	Deputy Chairman; Member of the Management Board of ARAG SE, Ratingen
Dr. Matthias Maslaton	Member of the Management Board of ARAG SE, Moers
Dr. Joerg Schwarze	Member of the Management Board of ARAG SE, Düsseldorf

Employee representatives:

Johannes Berg	Team Leader, Claims Service (Property, Commercial, Large Claims), ARAG Allgemeine Versicherungs-AG, Dormagen
Wolfgang Platen	Chairman of the Works Council of ARAG Allgemeine Versicherungs-AG and Interlloyd Versicherungs-AG, Mönchengladbach

Management Board

Christian Vogée	Speaker of the Management Board; Responsibilities: Central Corporate Functions/ Sports Insurance/Broker Sales
Uwe Grünewald	Responsibilities: Finance and Accounting/ Controlling/Risk Management
Zouhair Haddou-Temsamani	Responsibilities: Core Sales/Product Management/ Marketing
Katrin Unterberg	Responsibilities: Claims/Insurance Operations/ ARAG Service Center/International Branches

IX. Report on Post-Balance Sheet Events

There were no events of particular significance after December 31, 2023. So far in 2024, business performance has been in line with expectations.

X. Appropriation of Profit

A profit-and-loss transfer agreement was concluded with ARAG SE, Düsseldorf, on October 31, 2006. In accordance with that agreement, ARAG Allgemeine transferred its entire profit of €12,158 thousand in 2023 (2022: €4,941 thousand). The recognition or reversal of reserves and any amounts not allowed to be distributed as dividends were taken into account prior to the appropriation of profit.

Düsseldorf, March 11, 2024

ARAG Allgemeine Versicherungs-AG

The Management Board

Christian Vogée (Speaker)	Uwe Grünewald
Zouhair Haddou-Temsamani	Katrin Unterberg

FURTHER INFORMATION

I. Independent Auditor's Report[1]

To ARAG Allgemeine Versicherungs-AG, Düsseldorf

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of ARAG Allgemeine Versicherungs-AG, Düsseldorf, which comprise the balance sheet as of December 31, 2023, the income statement for the financial year from January 1 to December 31, 2023, and the notes to the financial statements, including a summary of the accounting policies. In addition, we have audited the management report of ARAG Allgemeine Versicherungs-AG for the financial year from January 1 to December 31, 2023.

In accordance with German legal requirements, we have not audited the content of those parts of the management report specified in the 'Other information' section of our auditor's report.

In our opinion, based on the findings of our audit:

- The accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to insurance companies and, in compliance with German accepted accounting principles, give a true and fair view of the net assets and financial position of the Company as of December 31, 2023 and of its results of operations for the financial year from January 1 to December 31, 2023, and
- The accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those parts of the management report specified in the 'Other information' section.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the propriety of the annual financial statements and management report.

Basis for the opinions

We conducted our audit of the annual financial statements and management report in accordance with section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as 'EU Audit Regulation') and in compliance with the German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility under these requirements and principles is described in more detail in the 'Responsibility of the auditor for the audit of the annual financial statements and management report' section of our auditor's report. We are independent of the Company pursuant to the requirements of European law and German commercial law and the rules governing our profession and we have fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with article 10 (2)f of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under article 5 (1) of the EU Audit Regulation. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and management report.

[1] Note: This is a translation of the German original. Solely the original text in German is authoritative.

Key audit matters in the audit of the annual financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our opinion of this audit; we do not provide a separate opinion on these matters.

Valuation of the partial provisions for reported claims and for claims incurred but not reported included in the gross provision for outstanding claims in direct insurance business
In respect of accounting and valuation policies applied, please refer to the disclosures in section II of the notes to the financial statements. Statements on risk are included in section IV of the management report.

THE FINANCIAL STATEMENT RISK

The gross provision for outstanding claims in direct insurance business amounts to €212.6 million. This equates to 52.2 percent of total assets and has a material effect on the financial position of the Company.

The gross provision for outstanding claims comprises various partial provisions for claims. The largest part of this provision is attributable to the provisions for reported claims and for claims incurred but not reported.

The valuation of the partial provisions for reported claims and for claims incurred but not reported is subject to uncertainties in respect of the anticipated amount of the claims and is thus subject to a considerable degree of judgment, particularly with regard to the claims incurred but not reported. In accordance with commercial-law principles, the estimate should not be carried out on a risk-neutral basis in terms of equal weighting of opportunities and risks. Instead, it must follow the prudence principle pursuant to the German Commercial Code (section 341e (1) sentence 1 HGB).

The provisions for reported claims are recognized in an amount that corresponds to the expected expense for each individual claim. Provisions are recognized for claims incurred but not reported. These provisions are predominantly calculated on the basis of empirical data using generally accepted actuarial methods.

The risk for the financial statements with regard to claims already reported as of the reporting date is that insufficient provisions are recognized for the anticipated claim payments. In the case of claims incurred but not reported, there is an additional risk that these claims have been underestimated.

OUR AUDIT APPROACH

In auditing the provisions for reported claims and for claims incurred but not reported, we used our own actuaries (as part of the audit team) and carried out the following key audit procedures from a risk perspective:

- We obtained an understanding of the process for calculating the provisions, identified key process risks and the controls that pertain to them, and tested these controls for appropriateness and effectiveness. In particular, we satisfied ourselves that the controls designed to ensure an accurate valuation have been established properly and are carried out effectively.
- For selected specific items, we verified the correctness of the record keeping and the amount of individual provisions for reported claims on the basis of the files for various segments and classes of insurance.
- For a risk-based selection of segments, we verified the Company's calculation used to determine claims incurred but not reported. In particular, we assessed the process for determining the estimated number of claims and their amount on the basis of historical experience and current trends.
- We analyzed the actual change in the provisions for outstanding claims recognized in the previous year on the basis of the profit/loss on settlements.

- Using a time series comparison, in particular of the number of claims, frequency of claims, average claim amounts, and reporting-year and overall claims ratios, we analyzed the change in the claims provision.
- We conducted our own actuarial reserve calculations for selected segments that we selected on the basis of risk considerations. This involved producing a point estimate for each segment and comparing this with the Company's calculations.

OUR OBSERVATIONS

The methods used for the valuation of the partial provisions for reported claims and for claims incurred but not reported included in the gross provision for outstanding claims in direct casualty and property insurance business are appropriate and consistent with the applicable accounting policies. The underlying assumptions were derived appropriately.

Other information

The Management Board and Supervisory Board are responsible for the other information. The other information comprises the following management report components whose content has not been audited:

- The separate non-financial report, which is referenced in the management report and is due to be made available to us after the date of this auditor's report, and
- The corporate governance declaration pursuant to section 289f (4) HGB (disclosure on the proportion of women in managerial positions), included in section III 'Business Performance' of the management report

The other information also includes the remaining parts of the annual report. The other information does not include the annual financial statements, the disclosures in the management report whose content has been audited, or our related auditor's report.

Our opinions on the annual financial statements and management report do not cover the other information. We do not therefore express an opinion or any other form of assurance conclusion on this information.

In connection with our audit, our responsibility is to read the aforementioned other information and to consider whether the other information:

- Is materially inconsistent with the annual financial statements, the disclosures in the management report whose content has been audited, or the knowledge that we obtained during the audit, or
- Otherwise appears to be materially misstated.

If, based on the work we have performed in relation to the other information obtained prior to the date of this auditor's report, we reach the conclusion that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibility of the Management Board and Supervisory Board for the consolidated financial statements and group management report

The Management Board is responsible for preparing annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to insurance companies and that, in compliance with German accepted accounting principles, give a true and fair view of the net assets, financial position, and results of operations of the Company. In addition, the Management Board is responsible for the internal controls that it, in compliance with German accepted accounting principles, considers necessary for the preparation of annual financial statements that are free from material misstatements, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

When preparing the annual financial statements, the Management Board is responsible for assessing the Company’s ability to continue as a going concern. It is also responsible for disclosing matters relating to the Company’s continuation as a going concern, where pertinent. In addition, it is responsible for financial reporting based on the going concern basis of accounting, unless there are actual or legal circumstances that preclude this.

Furthermore, the Management Board is responsible for preparing a management report that, as a whole, provides an appropriate view of the Company’s position, is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) that it considers necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the financial reporting process used by the Company to prepare the annual financial statements and management report.

Responsibility of the auditor for the audit of the consolidated financial statements and group management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the audit findings, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, and to issue an auditor’s report containing our opinions on the annual financial statements and management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the German generally accepted standards for the auditing of financial statements promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements, whether due to fraud or error, in the annual financial statements and management report, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of the internal control system that is relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these Company systems.
- Evaluate the appropriateness of the accounting policies used by the Management Board and the reasonableness of the estimates made by the Management Board and related disclosures.

- Draw conclusions about the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and management report or, if such disclosures are not appropriate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to a situation in which the Company is no longer able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that, in compliance with German accepted accounting principles, gives a true and fair view of the net assets, financial position, and results of operations of the Company.
- Assess the consistency of the management report with the annual financial statements, its conformity with the law, and the view that it provides of the Company's position.
- Conduct audit procedures in respect of forward-looking statements made by the Management Board in the management report. On the basis of sufficient appropriate audit evidence, we examine, in particular, the significant assumptions underlying the Management Board's forward-looking statements and assess whether these statements have been correctly derived from these assumptions. We do not express a specific opinion on the forward-looking statements or on the underlying assumptions. There is a substantial unavoidable risk of material discrepancies between future events and the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless public disclosure of the matter is precluded by law or regulation.

Other legal and regulatory requirements

Further information pursuant to article 10 of the EU Audit Regulation
We were elected as auditor by the Annual General Meeting on March 31, 2023. We were engaged by the Supervisory Board on September 28, 2023. We have been the auditor of ARAG Allgemeine Versicherungs-AG every year since the 2020 financial year.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statements audit, we have provided to the audited Company or the entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report of the audited Company:

For the audited Company and one entity controlled by it, we performed the audit of the Solvency II balance sheet.

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Thorsten Klitsch.

Cologne, March 15, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klitsch	Bramkamp
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

II. Report of the Supervisory Board

In the year under review, the Supervisory Board carried out the tasks required of it by law, the articles of incorporation, and rules of procedure. It continually monitored and advised the Management Board with regard to its running of the Company and was directly involved in all decisions of fundamental importance to the Company. The Management Board provided the Supervisory Board with regular, timely, and comprehensive written and oral reports on the economic situation and the performance of the Company and its subsidiaries, business policy going forward, corporate planning, the risk situation, risk management, and significant individual transactions. The Management Board explained variances between the actual course of business and plans and targets individually, and these were noted and scrutinized by the Supervisory Board. Where management action required the approval of the Supervisory Board by law or other regulations, the Supervisory Board received the necessary information on the matter from the Management Board in the form of reports. The Supervisory Board discussed these reports extensively at its meetings, deliberated on them with the Management Board, and made the necessary decisions.

The Supervisory Board held four ordinary meetings and one extraordinary meeting last year, at which it was able to satisfy itself that the Management Board was running the Company properly and appropriately. The Supervisory Board also convened once, immediately following the Annual General Meeting, for the constitutive meeting of the Supervisory Board and its committees. The meetings were held in person. Outside the meetings, the Chairman of the Supervisory Board was in regular contact with the Management Board and was kept informed about current business performance and major business transactions. The Chairman of the Supervisory Board was updated daily on key developments. The members of the Supervisory Board were provided with regular controlling reports detailing premiums written, external claim payments, and commissions.

In 2023, the Supervisory Board's work was dominated by the geopolitical situation and by inflation and its impact on business and the Company's business operations. At an extraordinary meeting, the Supervisory Board resolved to appoint Katrin Unterberg to the Management Board and designate Christian Vogée as the Speaker of the Management Board of the Company with effect from April 1, 2023. At the same meeting, the Supervisory Board approved a change to the Management Board's schedule of responsibilities. In its ordinary meetings, the Supervisory Board was provided with reports about the current business performance of the Company and its international entities. The Supervisory Board was able to gain a comprehensive picture of the Company's situation from the controlling reports and risk reports, the own risk and solvency assessment (ORSA) report, the reports on investments, and the quarterly financial statements (including updated forecasts) that were presented. At its meetings, the Supervisory Board also examined reports on the reinsurance renewal for 2023, the risk strategy for 2023, the main ARAG 5>30 initiatives and their status, and other processes of relevance to the Company. The Supervisory Board also approved the transfer of part of a portfolio of motor insurance risks to Helvetia AG, signed off a change to the rules of procedure for the Management Board, and resolved to propose to the Annual General Meeting that Dr. Dr. h. c. Paul-Otto Faßbender be reappointed to the Supervisory Board for the maximum permitted term. In addition, the Supervisory Board approved the strategic plan for 2024 to 2026, an update to the general investment policy, and the establishment of a new two-level institutional fund structure. It also signed off the development plan for the Supervisory Board in 2024, approved the business strategy, and discussed the appropriateness of Management Board remuneration, the structure of the remuneration systems, and management statistics.

The Chairman of the Supervisory Board provided timely and detailed reports on the work of the Human Resources Committee and Finance and Audit Committee at the ordinary meetings of the Supervisory Board.

The single-entity financial statements, which were prepared by the Management Board in accordance with the commercial-law accounting regulations for insurance companies (RechVersV), and the management report for 2023 were, together with the bookkeeping system, audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, which issued an unqualified opinion. The auditor had been elected by the Annual General Meeting on March 31, 2023 and engaged to carry out the audit.

The members of the Supervisory Board received the aforementioned documents, annual report, and auditor's report in good time before the Supervisory Board meeting that was held to adopt the financial statements. At the meeting, the Management Board also provided additional oral explanations of the documents. The auditors who had signed the auditor's report participated in the Supervisory Board's discussion of the documents, reported on the key findings of the audit, and were available to provide additional information. KPMG presented its audit planning at a Supervisory Board meeting.

The Supervisory Board reviewed the single-entity financial statements and management report. There were no objections to be raised on the basis of the concluding findings of its review. Having carried out its own review, the Supervisory Board agreed with the findings of the audit of the single-entity financial statements and management report by the auditor. The Supervisory Board approved the single-entity financial statements and management report and thereby adopted them. The Supervisory Board proposes to the Annual General Meeting that it formally approve the acts of the Management Board members.

The Supervisory Board would like to express its thanks and appreciation for the work of the Management Board and all employees in 2023.

Düsseldorf, April 18, 2024

ARAG Allgemeine Versicherungs-Aktiengesellschaft

The Supervisory Board

Dr. Dr. h. c. Paul-Otto Faßbender (Chairman)	Hanno Petersen (Deputy Chairman)
Johannes Berg	Dr. Matthias Maslaton
Wolfgang Platen	Dr. Joerg Schwarze

III. Credits

Publisher
ARAG Corporate Communications/Marketing
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40472 Düsseldorf
Germany
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Editors
Dr. Christine Helbig
ARAG Corporate Communications/Marketing

Concept, design, and layout
HGB Hamburger Geschäftsberichte GmbH & Co. KG

Thanks
We would like to thank our colleagues and partners for their invaluable support in preparing this report.

Note
Figures in this report are rounded, which may give rise to differences of ± one unit (currency, percent) in some computations.

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