2023 SOLVENCY AND FINANCIAL CONDITION REPORT

ARAG ALLGEMEINE VERSICHERUNGS-AG

ARAG Group

Asset and investment management	ARAG Holding SE
Operating management company and legal insurance	ARAG SE

Operating management company and legal insurance					
Speaker of the Management Board and Central Group Functions	Group Sales, Products and Innovation	Group Finance	Group IT and Operations	Group Risk Management and Group Controlling	Group Human Resources/ Group Internal Audit

Operating insurance companies			
ARAG Allgemeine Versicherungs-AG (Casualty and property insurance)	ARAG Krankenversicherungs-AG (Health insurance)	Interlloyd Versicherungs-AG (Specialized in broker sales)	International companies (Legal insurance/legal services)

Service companies		
ARAG IT GmbH (IT services for the ARAG Group)	Cura Versicherungsvermittlung GmbH (Brokerage firm)	ARAG Service Center GmbH (Emergency telephone service)

Structure of ARAG Allgemeine Versicherungs-AG

Company	
	ARAG Allgemeine Versicherungs-AG

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

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SUMMARY

Chapter A. Business and Performance

ARAG Allgemeine Versicherungs-AG (also referred to as ARAG Allgemeine or the Company) offers modular insurance cover for general accident insurance, general liability insurance, and private property insurance (mainly composite residential buildings and home contents insurance) to its predominantly private and small business customers.

In 2023, gross premiums written went down by 2.8 percent to €213,839 thousand at ARAG Allgemeine (2022: €220,093 thousand), mainly due to the restructuring of the business in the United Kingdom and the related erosion of premium income in international business. The insurance segments with the strongest premium volumes in direct business were once again general accident insurance (2023: €47,348 thousand; 2022: €47,261 thousand) and general liability insurance (2023: €46,714 thousand; 2022: €45,834 thousand). With regard to benefit expenses, gross expenses for claims incurred rose by €4,266 thousand to €111,028 thousand. Claims incurred net of reinsurance also increased, from €101,936 thousand in 2022 to €108,159 thousand in the reporting year, due to the substantial increase in claims reported for the year. Although the Company benefited from a lower incidence of storms in 2023 compared with previous years, the claims reported for the year nonetheless rose by 14.0 percent overall. This rise was attributable to the general accident insurance and general liability insurance segment, where the number of claims reported was up by a total of 5,380 year on year due to the increase in sporting activities following the end of the COVID-19 pandemic.

Under the German Commercial Code (HGB), the underwriting result – after taking into account costs and before the change in the equalization provision – decreased from €13,576 thousand to €6,082 thousand in the reporting year.

Gains and losses on investments improved by €5,694 thousand to a net gain of €6,924 thousand (2022: €1,230 thousand). Despite challenging conditions, the Company again generated sound net income for the year of €12,158 thousand (2022: €4,941 thousand). All of this profit was transferred to ARAG SE, which is the parent company in the profit-and-loss transfer agreement between ARAG SE and ARAG Allgemeine.

Chapter B. System of Governance

Chapter B.1 contains information on the Management Board and Supervisory Board as well as on the tasks of the following four key functions: risk management, compliance, internal audit, and the actuarial function. As these key functions are kept strictly separate from the operational departments and they have a direct reporting line to the Management Board member with relevant responsibility, they can perform their duties objectively and independently.

There were changes to the Management Board's composition and the allocation of responsibilities among its members during the reporting period.

The remuneration granted to the members of the Management Board and Supervisory Board and to the holders of key functions is structured such that it is consistent with market rates and rewards performance without creating undesirable incentives.

Chapter B.2 provides an overview of the specific 'fit and proper' requirements that must be satisfied by the members of the Management Board and Supervisory Board, and by the holders of other key functions. It also explains how the Company assesses whether these requirements are met.

Chapter B.3 describes the Company's risk management system and its implementation by the risk management function (synonym: independent risk control function [IRCF]). The chapter also includes a description of the risk management process and the process for the Own Risk and Solvency Assessment.

A description of the internal control system and the implementation of the compliance function can be found in chapter B.4.

The other key functions (internal audit and actuarial function) are presented in chapters B.5 and B.6. Chapter B.7 describes how the Company handles outsourcing.

The statements in this chapter confirm that ARAG Allgemeine has a system of governance that facilitates prudent management of the insurance business and that is appropriate for the nature, scope, and complexity of the Company's activities.

No significant changes were made to the system of governance in the reporting period.

Chapter C. Risk Profile

The two main risks influencing ARAG Allgemeine's risk profile are market risk and underwriting risk. The solvency capital requirement (SCR) relating to market risk was €87,100 thousand (December 31, 2022: €81,215 thousand). The primary sub-risks in this regard were equity investment risk and credit risk (attaching to investments). Overall underwriting risk was measured with a solvency capital requirement of €54,843 thousand (December 31, 2022: €40,772 thousand). The relevant underwriting sub-risks were premium risk and natural disaster risk.

Chapter D. Valuation for Solvency Purposes

Solvency II lays down requirements, which differ from the financial reporting standards under HGB, for recognizing, valuing, and disclosing assets, technical provisions, and other liabilities. The Solvency II balance sheet presents the line items from an economic perspective, whereas the financial reporting standards under HGB enforce the principle of prudence through application of the realization principle, the historical cost convention, and the principle of lower of cost or market value. Consequently, the individual line items on the Solvency II balance sheet and HGB balance sheet can only be compared once the carrying amounts have been reconciled.

There were no material changes in the valuation methods for solvency purposes compared with the prior year.

ARAG Allgemeine did not apply any transitional measures pursuant to section 351 et seq. of the German Insurance Supervision Act (VAG) or a volatility adjustment pursuant to section 82 VAG in the reporting period.

Chapter E. Capital Management

The SCR for ARAG Allgemeine was €122,244 thousand (December 31, 2022: €107,939 thousand). To cover this requirement, the Company had eligible own funds of €220,897 thousand (December 31, 2022: €213,457 thousand), giving a coverage ratio of 180.7 percent (December 31, 2022: 197.8 percent). ARAG Allgemeine thus has a sufficient level of capital adequacy.

Rough calculations that are performed regularly also consistently showed a sufficient level of coverage in the reporting year.

The Company's minimum capital requirement was €36,496 thousand (December 31, 2022: €36,684 thousand), which means that the coverage ratio for the minimum capital requirement was 605.3 percent (December 31, 2022: 581.9 percent).

ARAG Allgemeine uses a partial internal model to determine its solvency capital requirement. Chapter E.4 provides an overview of the material differences between the partial internal model and the standard formula.

The Company complied with the minimum capital requirement and the solvency capital requirement at all times in the reporting year.

There were no events of particular importance for assessing the solvency capital requirement of ARAG Allgemeine after December 31, 2023. ARAG Allgemeine is closely monitoring changes in the capital markets, the elevated level of inflation compared with previous years, various global crises such as the Russian Federation's ongoing war of aggression against Ukraine, and other particularly significant influencing factors.

The events described above may also affect ARAG Allgemeine's risk position, although it is difficult to predict any specific impact at present. In addition to the regular risk calculation carried out each quarter, the solvency situation is monitored as required. So far in 2024, business performance has been in line with expectations.

A. BUSINESS AND PERFORMANCE

A.1 Business

General disclosures

Legal basis
ARAG Allgemeine Versicherungs-AG was founded in Saarbrücken, Germany, in 1962 as Terra Allgemeine Versicherungs-AG and has been headquartered in Düsseldorf since 1965. Its contact details are:

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Structure of ARAG Allgemeine and holders of qualifying holdings

The ARAG Group[1] (including associates) comprises 46 Group companies, of which seven are insurance companies headquartered in Germany, Norway, Switzerland, and the United States. ARAG Holding SE, headquartered at ARAG Platz 1, 40472 Düsseldorf, manages the assets and is the parent company of the ARAG Group from a company law perspective.

ARAG Allgemeine Versicherungs-AG, Düsseldorf, is a wholly owned subsidiary of ARAG SE. There is a profit-and-loss transfer agreement between ARAG Allgemeine and its parent company. ARAG Allgemeine has also entered into a profit-and-loss transfer agreement with its wholly owned subsidiary Interlloyd Versicherungs-AG, Düsseldorf.

ARAG Allgemeine belongs to the ARAG Holding SE Group, headquartered at ARAG Platz 1, 40472 Düsseldorf, due to the existence of a controlling interest within the meaning of section 16 (1) in conjunction with (4) of the German Stock Corporation Act (AktG). It is therefore included in the consolidated financial statements of ARAG Holding SE.

[1] A simplified representation of the group structure has already been provided and can be found on page 2.

ARAG Allgemeine does not prepare sub-group financial statements or a sub-group management report, as the consolidated financial statements and group management report of ARAG Holding SE have an exempting effect pursuant to section 291 of the German Commercial Code (HGB).

The main affiliated companies of ARAG Allgemeine (direct shareholding or parent company), which are located in Germany and other European countries, are as follows:

List of the affiliated companies of ARAG Allgemeine

	Name and location of registered office	Legal form	Type of business	Country	Direct share	Group's share
1	ARAG Holding SE, Düsseldorf	SE (European company)	Holding company	Germany	0.0%	Group parent company
2	ARAG SE, Düsseldorf	SE	Insurer	Germany	0.0%	100.0%
3	ARAG 2000 Grundstücksgesellschaft eGbR, Düsseldorf	eGbR (registered partnership under the German Civil Code)	Real estate management	Germany	25.0%	94.9%
4	ARAG Service Center GmbH, Düsseldorf	GmbH (private limited company)	Service provider	Germany	20.0%	100.0%
5	Interlloyd Versicherungs-AG, Düsseldorf	AG (stock corporation)	Insurer	Germany	100.0%	100.0%
6	ALIN 2 GmbH & Co. KG, Düsseldorf	GmbH & Co. KG (limited partnership with a GmbH as general partner)	Asset manager	Germany	100.0%	100.0%
7	ALIN 2 Verwaltungs-GmbH, Düsseldorf	GmbH	Service provider	Germany	100.0%	100.0%

Description of the affiliated companies

1. ARAG Holding SE is the parent company of the ARAG Group from a company law perspective. It does not exercise influence in the sense of acting as an overarching Group management entity.

2. ARAG SE is the operating management company of the ARAG Group and the leading legal insurer worldwide. Its business is focused on private customers and on small and medium-sized business customers. It is not involved in diversified corporate business with individual risks. In addition to the Group headquarters in Düsseldorf, ARAG SE has operational branches in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, Spain, and the United Kingdom.

3. ARAG 2000 Grundstücksgesellschaft eGbR manages the site at ARAG Platz 1, 40472 Düsseldorf, where the ARAG Group's headquarters are located.

4. ARAG Service Center GmbH is the customer service center for all German insurance companies in the ARAG Group, providing comprehensive assistance and mediation services and a telephone hotline around the clock.

5. Interlloyd Versicherungs-AG is a wholly owned subsidiary of ARAG Allgemeine Versicherungs-AG and, like its parent company, operates the casualty and property insurance business. Unlike its parent company, however, it operates its business through insurance brokers rather than directly. Interlloyd Versicherungs-AG also has a branch in Spain.

6. ALIN 2 GmbH & Co. KG is a company whose purpose is to establish, hold, manage, and realize a portfolio of passive investments including, but not limited to, equity investments in companies with a similar object.

7. ALIN 2 Verwaltungs-GmbH is a company whose purpose is to acquire, hold, and manage shares in companies and various investments as well as to accept the general partner liability and handle management activities in connection with companies or partnerships structured in accordance with HGB. Its main object is to hold an equity investment in, and be the general and managing partner of, ALIN 2 GmbH & Co. KG.

Appropriation of profit/profit-and-loss transfer
ARAG Allgemeine and ARAG SE have entered into a profit transfer agreement. In the year under review, this resulted in ARAG Allgemeine's entire profit of €12,158 thousand being transferred to ARAG SE (2022: €4,941 thousand). ARAG SE would also have been obliged to fully absorb any losses (recognized in accordance with HGB) of the Company if there had been any.

In the period under review, no other material transactions – including transactions involving the appropriation of profit or profit-and-loss transfer – were conducted with shareholders, persons able to exercise significant influence over the Company, or members of the administrative, management, or supervisory bodies.

Qualitative and quantitative disclosures on relevant events and significant intragroup transactions of ARAG Allgemeine
ARAG SE is responsible for the operational management of the insurance business of the ARAG Group. In this role, it holds material equity investments in Group companies and performs centralized services for the insurance companies in the Group. Examples of these services include investment management, risk management, accounting, internal audit, legal services, business organization, HR management, and the management of groupwide projects.

In addition, there is a significant intragroup transaction with ARAG IT GmbH, which is responsible for performing consultancy/software development services and data center services.

ALIN 2 GmbH & Co. KG, whose sole limited partner is ARAG Allgemeine, was formed for the purpose of carrying out and managing investments in infrastructure funds and private equity funds. The general partner is ALIN 2 Verwaltungs-GmbH.

There are service contracts with ARAG SE concerning insurance brokerage, the use of trademark rights, and support for and shared use of real estate, office furniture, and equipment.

There were no other material intragroup transactions to report.

All services are charged on the basis of arm's-length terms and conditions that are typical in the market.

Line of business

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

ARAG Allgemeine is also a long-standing partner of the sports community. It provides needs-based insurance cover for clubs and associations involved in sports and the arts, most of which are insured under group and supplementary insurance policies.

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.

Insurance portfolio
At the end of the year under review, the portfolio of direct insurance contracts comprised 1,965,260 policies. Of this total, 1,000,254 policies were attributable to the business in Germany, while the UK and Irish branches accounted for 965,006 policies.

Significant business or other events in the reporting period

Products, digitalization, and other topics
The success of the ARAG Group is based on the high quality of its products and the particular innovative strength of the Group. The quality of its offerings is reflected in the many awards and seals of approval that it regularly receives from independent organizations. ARAG Allgemeine, the ARAG Group's casualty and property insurer, believes it is critical to take the lead in the market and help to shape this market through competitive products. The Company places particular emphasis on variable modules that allow policyholders in the different target groups to obtain precisely tailored insurance cover and minimize their risks very effectively.

With this in mind, ARAG Allgemeine introduced a new bundled product, ARAG Recht & Gewerbe, in the reporting year. This unique package for freelancers, the self-employed, and traders provides comprehensive legal, property, and liability cover within a single policy and includes a no claims discount system. By launching ARAG Recht & Gewerbe for small business customers, ARAG is aiming to replicate the success story of its ARAG Recht & Heim all-round cover product for private customers.

The underlying concept of the new all-round cover for small businesses is that customers take out property and/or commercial general liability insurance alongside the compulsory legal insurance module. Within these modules, customers can add further individual components, such as private cover for the managing director. Customers can choose between the Komfort and Premium versions of the product. A distinctive feature of the product is that, for a period of up to three years, ARAG will cover any differences in protection for those small business customers that already have insurance in place, allowing them to benefit from ARAG's outstanding cover straight away. Customers that do not make any claims receive a discount of up to 50 percent over the policy term, thereby reducing the premiums to be paid. This is the only no claims discount system of this type in existence in the market for small business customers. A discount of 5 percent is available after a claim-free period of just six months, with this percentage then rising incrementally. Another highlight is optional no-claims-discount protection. This ensures that customers are upgraded to the next best claim-free category in the following year, provided that they have received no more than one claim payment. A further benefit is offered to small business customers that act sustainably, with ARAG rewarding those who have obtained certification in this area or, for example, are making a positive contribution to the environment by using green electricity or running a fleet of electric vehicles. This too is a unique offering in the market.

The Company again significantly enhanced ARAG's accident and 'Existenz-Schutz' livelihood insurance products in the reporting year and launched them in the first quarter of 2024.

ARAG is taking a proactive approach as it continues on its digitalization journey. This approach is two-pronged. Firstly, ARAG is planning and designing all of its processes to be digital and technology-based in line with the digital by default principle. Analog processes will be used only where they are more advantageous for the Group, its customers, or its partners. Secondly, ARAG is increasingly deploying artificial intelligence (AI) both for product and service innovations and for making processes simpler and faster. One example of this push for AI is the Group's participation in the Microsoft 365 Copilot Early Access Program. ARAG is one of only a few German companies that are comprehensively testing this groundbreaking AI-based tool in their day-to-day operations, maintaining close contact with experts at Microsoft.

Insurance-specific events
Any insurance-specific events experienced by the Company in 2023 that had a significant influence on business performance (such as major claim payouts) are disclosed in chapter A.2 'Underwriting performance – overview'.

Company changes
ARAG continued to focus on digitalization and growing its business in 2023.

There was a change regarding responsibilities at ARAG Allgemeine in 2023. The Company's Supervisory Board appointed Katrin Unterberg to the Management Board of ARAG Allgemeine with effect from April 1, 2023. She is responsible for Claims, the ARAG Service Center, and the international branches.

There were no other changes to the structure of ARAG Allgemeine. Furthermore, there were no changes in the shareholdings or material changes in business activities in the reporting year.

Other events
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. Energy and commodity prices remained stubbornly high, which impacted on consumer spending and on investment by private households and businesses, especially in the eurozone. Political uncertainty led to a loss of purchasing power and to rising prices for consumers. In light of the high consumer prices, central banks around the world initially 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. However, this cycle of rate hikes was ended in the last quarter – for the time being, at least – as it started to take effect and the rate of inflation fell. The German Council of Economic Experts estimated 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).

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 changes in the capital markets, high inflation, and the various global crises. 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 the legal insurance segment 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 an 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.

As described in chapter A.2 'Underwriting Performance', ARAG Allgemeine maintained its strong business performance of recent years in 2023 despite the prevailing uncertainty of the economic situation.

ARAG Allgemeine is expecting to achieve a similarly healthy profit after taxes in 2024.

A.2 Underwriting Performance

Underwriting performance – overview

In the year under review, ARAG Allgemeine generated income from gross premiums written of €213,834 thousand (2022: €220,093 thousand). This decrease was due to the restructuring of the business in the United Kingdom and the related erosion of premium income by €14,401 thousand in international business, although this was partly offset by an increase of €8,146 thousand in gross premium income in the German business. After deduction of reinsurance premiums and the change in unearned premiums, premiums earned net of reinsurance came to €206,242 thousand (2022: €210,285 thousand).

By contrast, claims incurred (gross) went up by 4.0 percent to €111,028 thousand (2022: €106,762 thousand). Net of reinsurance, claims incurred rose from €101,936 thousand to €108,159 thousand in 2023 due to the substantial increase in claims reported for the year. Although the Company benefited from a lower incidence of storms in 2023 compared with previous years, the claims reported for the year nonetheless rose significantly by 14.0 percent overall. In the general accident insurance and general liability insurance segment, which was the worst affected, a total of 5,380 more claims were reported in 2023 than in the prior year. This rise was primarily due to policyholders undertaking more sporting activities following the end of the COVID-19 pandemic.

Insurance business operating expenses (gross) went down year on year, from €95,350 thousand to €92,039 thousand. The commission expenses included in this figure fell to €58,476 thousand (2022: €62,847 thousand) because of the decline in premiums. Overall, the gross cost ratio decreased to 42.6 percent (2022: 43.5 percent). Other than commissions, the costs included in this ratio rose moderately. However, this rise was outweighed by the decline in commission expenses, which went down in line with premium income.

Miscellaneous underwriting income and expenses comprise technical interest income, miscellaneous underwriting income, and miscellaneous underwriting expenses.

In the reporting year, technical interest income was almost unchanged year on year at €118 thousand (2022: €124 thousand). This was because the discount rate used to calculate the benefit reserve for annuities was unchanged in 2023.

The miscellaneous underwriting income of €419 thousand (2022: €423 thousand) largely comprised late-payment fees in direct business and interest income.

Miscellaneous underwriting expenses, which amounted to €1,452 thousand (2022: €1,361 thousand), primarily consisted of expenses for the fire protection tax.

The underwriting result in accordance with HGB net of reinsurance in 2023 amounted to €9,481 thousand (2022: €8,618 thousand). Based on the quantitative reporting (see template S.05.01.02 in the Appendix), the underwriting result for the reporting period stood at €4,730 thousand (2022: €12,405 thousand).

The following table shows this underwriting result with a reconciliation to the underwriting result in accordance with HGB, as published in ARAG Allgemeine's 2023 Annual Report:

Underwriting result (net[1])

(€'000)	2023	2022
Premiums earned	206,242	210,285
Claims incurred (excluding claim settlement costs)	80,343	73,250
Expenses incurred	120,254	123,816
Miscellaneous underwriting income and expenses[2]	– 915	– 814
Underwriting result in accordance with template S.05.01.02	**4,730**	**12,405**
Changes in other technical provisions[2]	– 105	– 34
Expenses for investment management	– 1,457	– 1,204
Underwriting result in accordance with HGB[3]	**6,082**	**13,575**
Change in the equalization provision and similar provisions	3,399	– 4,958
Underwriting result in accordance with HGB	**9,481**	**8,618**

[1] The net amount is adjusted for the reinsurer's share and refers, where applicable, to the individual line items.
[2] Due to the changed taxonomy, the amount differs from the amount reported in the prior year.
[3] Underwriting result before change in the equalization provision and similar provisions.

Other insurance disclosures

The change in other technical provisions (net) amounted to an expense of €105 thousand (2022: expense of €34 thousand).

The change in the equalization provision in 2023 was predominantly driven by reversals relating to various insurance segments. 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).

Underwriting result by main line of business

The following table shows a breakdown of the key figures reported in the template by main line of business:

Main lines of business[1] (net[2])

	Premiums earned		Claims incurred[3]	
(€'000)	2023	2022	2023	2022
Fire and other damage to property insurance	92,221	96,631	47,264	40,816
Income protection insurance	49,172	49,490	15,329	15,176
General liability insurance	47,005	46,292	13,657	12,620
Miscellaneous insurance	17,844	17,872	4,093	4,638
Total	**206,242**	**210,285**	**80,343**	**73,250**

[1] Presentation of results and lines of business based on S.05.01.02 in the Appendix.
[2] The net amount is adjusted for the reinsurer's share and refers, where applicable, to the individual line items.
[3] Excluding claim settlement costs.

Underwriting result by main geographical area

The following table shows a breakdown of the key figures reported in the template by main geographical area:

Main geographical areas (net[1])

	Premiums earned		Claims incurred[2]	
(€'000)	2023	2022	2023	2022
Germany	191,576	185,132	75,163	65,263
United Kingdom	6,609	17,100	3,800	6,731
Republic of Ireland	8,057	8,053	1,380	1,256
Total	**206,242**	**210,285**	**80,343**	**73,250**

[1] The net amount is adjusted for the reinsurer's share and refers, where applicable, to the individual line items.
[2] Excluding claim settlement costs.

A.3 Investment Performance

Investment performance is reported as gains and losses on investments, which, as described below, consist of current income, realized gains and losses, depreciation, amortization, and write-downs, reversals of write-downs, current expenses, and loss transfers.

Gains and losses on investments at ARAG Allgemeine improved from a net gain of €1,230 thousand to a net gain of €6,924 thousand. Total income from investments rose year on year to €11,356 thousand (2022: €5,883 thousand). Of this total, €8,384 thousand was attributable to current income (2022: €5,365 thousand). The main factor in this change was an increase in income from equity investments (including profit transferred from Interlloyd) to €6,547 thousand (2023: €3,083 thousand), which resulted from higher profit distributions from subsidiaries. The Company generated extraordinary income of €2,973 thousand in 2023 (2022: €518 thousand).

Total expenses from investments amounted to €4,433 thousand (2022: €4,654 thousand). Current expenses in respect of investments, including technical interest, increased to €1,574 thousand (2022: €1,328 thousand). Sundry expenses fell to €87 thousand due to the lower level of write-downs required (2022: €3,326 thousand), whereas losses on disposals swelled to €2,771 thousand (2022: €0 thousand).

The net gains[1] on investments of €6,924 thousand described above equated to a net yield[2] on investments of 2.0 percent (2022: 0.4 percent). The current average yield[3] on investments was 2.0 percent (2022: 1.2 percent).

[1] The expense for the management of investments is included in the net gain or loss.
[2] Calculation of net yield: net gain or loss on investments/average value of investment portfolio.
[3] Calculation of current average yield: ordinary gains and losses on investments/average value of investment portfolio.

The following table shows the breakdown of the Company's gains and losses on investments in accordance with HGB[1] by individual asset class:

Gains and losses on the investments of ARAG Allgemeine

Type of investment	Current income	Realized gains	Realized losses	Reversals of write-downs	Depreciation, amortization, and write-downs	Current expense/ loss transfers	Gains and losses on investments	Gains and losses on investments
	Change in gains and losses							
(€'000)							2023	2022
Property, plant & equipment held for own use	0	0	0	0	0	0	0	0
Property (other than for own use)	0	0	0	0	0	0	0	0
Holdings in related undertakings, including participations	6,547	0	0	0	0	0	6,547	3,083
Equities – listed	0	0	0	0	0	0	0	0
Equities – unlisted	0	0	0	0	0	0	0	0
Government bonds	373	0	792	5	0	0	– 413	319
Corporate bonds	885	0	1,051	1	0	0	– 165	612
Structured notes	0	0	0	0	0	0	0	0
Collateralized securities	0	0	0	0	0	0	0	0
Collective investment undertakings	537	2,966	928	0	87	0	2,488	– 1,456
Derivatives	0	0	0	0	0	0	0	0
Deposits other than cash equivalents	41	0	0	0	0	0	41	0
Other investments	0	0	0	0	0	0	0	0
Deposits to cedants	0	0	0	0	0	0	0	0
Cash and cash equivalents	0	0	0	0	0	0	0	0
Current expense (unallocated)/loss transfers	0	0	0	0	0	1,574	– 1,574	– 1,328
Total	**8,384**	**2,966**	**2,771**	**6**	**87**	**1,574**	**6,924**	**1,230**

[1] The total of the gains and losses on investments presented in the table equates to the gains and losses on investments published in ARAG Allgemeine's 2023 Annual Report.

Information on gains or losses recognized directly in equity

In the reporting year, the Company did not have to recognize any gains or losses directly in equity, for example as a result of the disposal of own shares.

Information on securitization instruments

As defined in HGB accounting rules, securitization instruments mainly comprise instruments such as asset-backed securities and mortgage-backed securities. Pfandbriefs, on the other hand, are not classified as securitization instruments because they are treated as government or corporate bonds.

Under Solvency II, ARAG Allgemeine held asset-backed securities and mortgage-backed securities with a value of €418 thousand as of the reporting date (December 31, 2022: €1,677 thousand). But it held them only indirectly as shares/units in such securities that did not need to be reported separately. These are part of the collective investment undertakings. No shares/units in securitization instruments were held directly.

A.4 Performance of Other Activities

Other net income/expense includes staff costs and general and administrative expenses that are not allocated to an insurance or investment-related function in accordance with function-based accounting.

Other income went up from €2,851 thousand in 2022 to €3,007 thousand in the reporting year. This was primarily because of higher interest income of €538 thousand from the intragroup cash pool (2022: €12 thousand) that was partly offset by the absence of income from intercompany loss equalization agreements and other declines.

Other expenses came to €6,753 thousand in 2023, compared with €7,613 thousand in 2022. This was mainly due to lower expenses of €784 thousand from currency losses.

Other net income/expense improved by €1,015 thousand to a net expense of €3,746 thousand.

Tax income/expense

The tax expense amounted to €500 thousand in 2023 (2022: €145 thousand), largely as a result of earnings and investments.

Information on leases

A distinction is made between finance leases and operating leases. ARAG Allgemeine is a lessee under leases that are accounted for as operating leases. It is not involved in any material finance leases. The operating leases mainly relate to the company cars, rented offices, and cellphones used by the Company's employees. As lessee, ARAG Allgemeine recognizes the lease payments as an expense.

A.5 Any Other Information

Chapters A.1 to A.4 inclusive contain all of the important information about business and performance.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

ARAG Allgemeine has structured its system of governance in such a way that its business activities can be managed soundly and conservatively in line with the business and risk strategies. The sections below describe the structure of the Company's Management Board and Supervisory Board, provide an overview of the system of governance, and assess whether this system is adequate.

Management Board and Supervisory Board

Management Board
The Management Board manages the business of ARAG Allgemeine in accordance with legal requirements and the Company's articles of incorporation. As part of its overall responsibilities, the Management Board ensures that there is an orderly system of governance in place, so that it

- is effective and – in terms of its nature, scope, and complexity – is commensurate with the Company's business activities;
- ensures compliance with laws, regulations, and regulatory requirements;
- ensures sound and prudent management of the Company;
- has an adequate, transparent organizational structure with clearly allocated and separated responsibilities;
- has an effective inhouse communications system;
- is regularly reviewed.

As of December 31, 2023, the Management Board of ARAG Allgemeine had four members. There were changes to the Management Board during the reporting period. These are described in chapter A.1.

The responsibilities were allocated as follows:

- Christian Vogée (Speaker of the Management Board): responsible for Central Corporate Functions, Sports Insurance, Broker Sales
- Uwe Grünewald: responsible for Finance and Accounting, Controlling, Risk Management
- Zouhair Haddou-Temsamani: responsible for ARAG Allgemeine Core Sales, Product Management, Marketing
- Katrin Unterberg (since April 1, 2023): responsible for Claims, ARAG Allgemeine Insurance Operations, ARAG Service Center, International Branches

The Group Executive Committee (GEC) is a groupwide body that manages and monitors the international branch business of the operating management company, ARAG SE. It also serves as a platform for sharing all information about the insurance business in Germany and abroad and about the performance of the business. Group strategy as well as guidelines, policies, and standards are discussed in the GEC.

Together with the members of the Management Boards of the other ARAG Group companies, the Management Board has set up the Risk Committee to help it to fulfill its risk management duties. To ensure the regulatory requirements concerning the use of a partial internal model are met in day-to-day operations, the Risk Committee has set up a subcommittee, the Internal Model Committee.

ARAG Allgemeine does not currently have an independent remuneration committee within the meaning of article 275 (1) (f) of Delegated Regulation (EU) 2015/35 (the Delegated Regulation). The size of the Company (particularly the number of employees) in relation to the internal structure means that, at the moment, the organization itself along with the relevant units at the parent company ARAG SE are able to help the Management Board and the Supervisory Board to supervise the remuneration guidelines and policies as well as the way they are put into practice and how they function. Therefore, it does not appear to be necessary to appoint an independent remuneration committee.

Supervisory Board

The Supervisory Board is responsible for appointing and monitoring the Company's Management Board. As of December 31, 2023, the members of the Supervisory Board were as follows:

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

To facilitate the decision-making process, the Supervisory Board has delegated individual tasks to the Finance and Audit Committee and Human Resources Committee.

By the nature of its remit, the Finance and Audit Committee deals mainly with transactions that require approval according to the Company's articles of incorporation and the Management Board's rules of procedure. Such transactions include investment decisions, fundamental strategic decisions on asset allocation, and business decisions involving the Company's portfolio. The committee also deals with the approval of loans to members of the Management Board and other employees in senior positions (Prokuristen).

Furthermore, it monitors the awarding of contracts for non-audit services to the Company's current auditor and to firms that might potentially become the Company's auditor in the future. It is also responsible for the invitation to tender and short-listing for the appointment by the full Supervisory Board of a new auditor.

By the nature of its remit, the Human Resources Committee deliberates primarily on personnel matters relating to the members of the Management Board. As well as appointing, dismissing, and reappointing Management Board members, this also involves discussing the remuneration system, target achievement, and evaluation of targets.

Key functions

The establishment of controls in the Company lies at the heart of the system of governance. These controls are mainly carried out by the four key functions: risk management/independent risk control function (IRCF), compliance, internal audit, and the actuarial function. ARAG Allgemeine has outsourced these key functions within the Group to ARAG SE and appointed outsourcing officers. As these functions are kept strictly separate from the operational departments, they can perform their duties objectively and independently. Moreover, they have a direct reporting line to the ARAG Allgemeine Management Board member with relevant responsibility and to the ARAG SE Management Board member with relevant responsibility at a higher level, and can also communicate directly with the Supervisory Board. The employees in these functions have the knowledge they need to be able to carry out their tasks adequately. The duties of the four key functions are briefly described below. Detailed information can be found in chapters B.3 to B.6.

Risk management/independent risk control function

The tasks of the risk management function are performed by the Group Risk Management Central Department. It operates at an overarching level and reports directly to the member of the Management Board of ARAG SE responsible for Group Risk Management and Group Controlling. As part of the risk management system that is in place, this department is responsible for the risk management process, which includes submitting regular reports to the Management Board. Operational management of risk is carried out by the relevant process owners in compliance with internal rules. All risk-relevant decisions to be made by the Management Board must take into account the information from and opinions of the IRCF.

Compliance
The tasks of the compliance function are performed by the Group Legal/Compliance Central Department. It operates at an overarching level and reports directly to the Speaker of the Management Board of ARAG SE, who is responsible for the Central Group Functions. The main duty of the function is to create the framework for compliance with the obligation to operate within the law, for example by issuing policies and guidelines. Responsibility for drawing up and implementing specific guidelines and policies lies with the manager of the relevant individual department. The Chief Compliance Officer advises the Management Board on the risk resulting from changes to the law and submits regular reports on the work of the Group Legal/Compliance Central Department to the Management Board.

Internal audit
Internal audit tasks are performed by the Group Internal Audit Central Department. It operates at an overarching level and is assigned to the Management Board member at ARAG SE who is responsible for Human Resources/Group Internal Audit under the schedule of responsibilities. The Group Internal Audit Central Department is a process-independent function that examines and assesses structures and activities within the Group. Auditing is carried out on behalf of the Management Board and covers all processes relating to business operations. Group Internal Audit has to assess and evaluate the integrity, propriety, effectiveness, efficiency, and adequacy of the internal control system (ICS). Audit findings are made available to the members of the Management Board in the form of an audit report.

Actuarial function
The tasks of the actuarial function are performed by the Actuarial Function Central Department. It is essentially responsible for verifying the methodology used to calculate the technical provisions and for ensuring the adequacy of both the underwriting and contracting policy and the reinsurance policy. This includes verifying the methods applied, the assumptions made, and the data used. The central department's responsibilities also include validating the partial internal model. It submits reports on its findings to the Management Board and the supervisory authority.

Information on remuneration guidelines and policies

As a core element of the Company's system of governance, the remuneration of the members of the governing bodies – and that of all those working for the Company – is based on the principles of appropriateness and transparency and is focused on sustainability.

This includes ensuring that the remuneration of members of governing bodies and employees is consistent with market rates and individual performance, and therefore appropriate. Those responsible for remuneration in the Company monitor remuneration levels in the relevant markets and make adjustments accordingly, taking account of the performance of the individual employees and members of the governing bodies.

Transparency means that the general principles of the remuneration policy are disclosed to all employees. But it also means that the remuneration structures are designed to be only as complex as necessary and as simple as possible.

To ensure that the remuneration policy is compatible with the Company's sustainable development, the remuneration structure is adequately aligned with the Company's business strategy and risk profile.

As a company that takes the long view, ARAG Allgemeine attaches great importance to forward-looking risk management that takes both existing and emerging risks into account. It ensures that any events or circumstances that could have a substantially negative effect on the assets, profitability, or reputation of ARAG Allgemeine are identified, analyzed, and assessed through the risk management process that is in place and that is managed by designated process owners.

This includes ensuring that risks for the Company arising in relation to remuneration are managed effectively. The Company relies in part on the structure of remuneration as a whole to achieve this, for example the proportion of fixed salary to variable remuneration at the relevant management levels, the structure of variable remuneration (target categories, close caps on target achievement, etc.), and related governance measures.

The remuneration of the Company's **Management Board members** comprises a fixed basic salary and a variable element and is in line with regulatory requirements. In particular, the basic salary is set at a level that ensures the members of the Management Board are not heavily reliant on the variable component. This is especially important to ensure that the variable component rewards good performance but does not create such a significant incentive that it could encourage actions counter to the interests of the Company.

The variable element Is equivalent to a percentage of the basic salary. No share plans or share option programs are offered anywhere in the ARAG Group. Against this background and with a view to ensuring that the Company offers attractive, market-level remuneration, the variable element of the remuneration for Management Board members is set at 60.0 percent of basic salary and is subdivided into short-term and long-term components. The long-term component of variable remuneration equates to 60.0 percent and, in accordance with article 275 (2) I and (f) of the Delegated Regulation, is deferred and takes into account the outcome of a review to establish whether there is any requirement for a potential downward adjustment as a result of exposure to current or future risks.

The targets relevant to variable remuneration are based on a mixture of objective Group and company key performance indicators drawn from the strategic planning and of individual targets for each member of the governing body. The weighting of the targets is defined beforehand. Target achievement in respect of each target is capped at predefined limits. The variable remuneration never exceeds the basic salary.

If members of the Management Board simultaneously hold positions at the parent company ARAG SE, they receive no additional remuneration other than the remuneration under their principal employment contract. However, such multiple roles can be acknowledged in the various categories within target agreements related to the variable remuneration granted under the principal employment contract. In this case, particular attention is paid to ensuring that this does not give rise to conflicts of interest.

If an individual does hold such multiple positions or fulfill multiple roles, a proportion of the costs is passed on to the relevant company by the company responsible for paying the remuneration.

Supervisory Board members receive fixed remuneration for their work. Where members do other work within the Group, individual arrangements are in place to determine whether remuneration for this work is offset against their Supervisory Board remuneration.

Employees only receive variable remuneration components when they reach a certain management level.

The variable remuneration for these managers is based on annual target agreements, which include a mix of objective Company and division key performance indicators and individual targets. The variable element is equivalent to a percentage of the basic salary and varies depending on management level and function.

The variable remuneration never exceeds the relevant basic salary. Target achievement is capped at predefined limits. The basic salary for the postholders concerned is set at an appropriate level to ensure that they are not substantially dependent on the variable remuneration components. Once again, the variable remuneration must encourage good performance but not create such a significant incentive that it could encourage actions counter to the interests of the Company.

The **key functions** of risk management, compliance, internal audit, and the actuarial function have been outsourced to the parent company ARAG SE. An outsourcing officer has been appointed for each key function. The outsourcing officers do not receive additional remuneration for this role, nor do the people performing the functions at the service provider ARAG SE receive additional remuneration for this activity.

The Company grants **members of the Management Board** who were appointed to this role for the first time prior to January 1, 2020 and their surviving dependants rights to a retirement pension, a widow's/widower's pension, and an orphan's pension. The retirement pension is calculated as a percentage of pensionable salary, which equates to the basic salary (excluding bonuses, remuneration in kind, etc.). There is also a cap on the absolute maximum amount. The widow's/widower's pension is equivalent to two-thirds of the retirement pension; the orphan's pension for each child is equivalent to one-third of the widow's/widower's pension. The total of the surviving dependants' pensions is limited to the amount of the retirement pension. Members of the Management Board who were appointed to this role for the first time after January 1, 2020 are granted a pension commitment based on defined contributions. The pension contribution forms part of the contract of employment and is paid into a Group benevolent fund reinsured with matching policies.

No early retirement arrangements have been made with **Management Board members**. However, the Company is entitled to make them retire five years before the standard retirement age with the contractually agreed deductions. The Management Board members do not have a corresponding right themselves.

The information provided about remuneration for Management Board members who simultaneously fulfill roles for the parent company ARAG SE applies analogously to pension and early retirement agreements.

Supervisory Board members do not receive any supplementary pensions.

The **key functions** of risk management, compliance, internal audit, and the actuarial function have been outsourced to the parent company ARAG SE. ARAG Allgemeine therefore does not grant any supplementary pensions.

Material transactions

Information on material transactions with shareholders, persons able to exercise significant influence over the Company, or members of the administrative, management, or supervisory bodies can be found in chapter A.1.

Significant changes to the system of governance

No significant changes were made to the system of governance in the reporting period.

Adequacy of the system of governance

The ARAG Group's system of governance facilitates sound, prudent management of the insurance business and is commensurate with the nature, scope, and complexity of the Group's activities. It is regularly reviewed and modified, if required.

The Group has an appropriate organizational structure and an effective information system with clear lines of reporting. There are written guidelines covering the key elements of the system of governance and also detailed descriptions of the key functions, including the roles of the Management Board and Supervisory Board. In addition, the system of governance includes an appropriate remuneration system, business continuity plans, the implementation of the 'fit and proper' requirements, a risk management system (including the own risk and solvency assessment), an Internal control system, the establishment of key functions, and rules governing outsourcing.

B.2 Fit and Proper Requirements

Each company's Fit&Proper guidance specifies requirements, responsibilities, and processes to ensure that senior managers, Supervisory Board members, persons responsible for key functions, and their employees are always professionally and personally suitable ('fit and proper') for the roles concerned. The main points are set out below.

Management Board members

To ensure they are fit for the role in terms of their professional suitability, these people are required to have the professional qualifications, knowledge, and experience that ensures they can manage the Company soundly and prudently at all times. This calls for adequate theoretical and practical knowledge of insurance business and, in the case of managerial tasks, for sufficient leadership experience. Management Board members must be familiar with all of the material risks to which the Company is exposed and must be able to assess their potential Impact.

Besides having the essential expertise in the individual areas for which each Management Board member is responsible, the Management Board as a whole must, as a minimum, have knowledge, skills, and experience pertaining to insurance and financial markets, business strategy and business models, the system of governance, financial analysis and actuarial analysis, the regulatory framework, and the regulatory requirements. Knowledge of the internal model used by the Company is also required. In addition, each Management Board member must have adequate knowledge of IT in view of the related risks and opportunities. The individual members of the Management Board are each expected to have not only specialist knowledge of the areas for which they are responsible but also adequate knowledge in all of the aforementioned areas. This is so that they can monitor each other's work.

Many years of experience working in the insurance industry or in another financial services company are crucial requirements for this role, as are managerial experience and the willingness to undertake continuing professional development.

A standard benchmark is used to assess whether members of governing bodies and other people in key functions are personally suitable for their role.

Someone is assumed to be of good repute ('proper') if there is nothing to indicate the contrary. Someone is assumed not to be of good repute if, based on general life experience, their personal circumstances justify the assumption that these circumstances might negatively affect the careful and proper performance of their role or of the tasks assigned to them. The factors considered are personal behavior and business conduct with regard to criminal-law, financial, property-law, and regulatory aspects. The laws of both Germany and other jurisdictions are taken into account.

The Company's Supervisory Board assesses whether a potential Management Board member meets the 'fit and proper' requirements. This assessment is based not only on personal interviews but also on candidates' CVs – which should be informative and, in particular, contain details of all previous jobs – and associated documents. Good repute is verified by obtaining a criminal records check and an extract from the central register of companies and by having candidates complete, sign, and submit to the Company a form containing a personal declaration and details about their good repute. The Company reserves the right to request additional documents, if necessary.

Supervisory Board members

The members of the Supervisory Board must have the necessary knowledge, skills, and experience to be able to perform their monitoring role. They must always have the expertise needed to adequately monitor and oversee the Management Board and to actively support the Company's growth. Each member must therefore understand the Company's business and be able to assess the relevant risks. They must also be familiar with the main statutory requirements applicable to the Company. The individual members are not required to have specialist knowledge. However, they must be capable of Identifying when they need to take advice and of obtaining this advice. In any case, the expertise of the Supervisory Board as a whole must cover investments, underwriting, financial reporting, and auditing. Having the necessary professional suitability entails undertaking continuing professional development.

Before the Annual General Meeting appoints someone to the Supervisory Board, both the potential Supervisory Board member and the Supervisory Board that proposed the candidate are expected to make sure that the potential member is sufficiently qualified. The special requirements published by the German Federal Financial Supervisory Authority (BaFin) apply to employee representatives.

With regard to the assessment of whether someone is of good repute, the information pertaining to Management Board members applies analogously.

Key functions
ARAG Allgemeine has outsourced the key functions of risk management/IRCF, compliance, internal audit, and the actuarial function to the relevant functions at the parent company ARAG SE. Outsourcing officers have been appointed. To enable tasks to be executed properly, outsourcing officers themselves must be of good repute and have the professional skills and qualifications to ensure that the mandate to monitor the outsourced key function concerned is carried out in accordance with the relevant requirements. The Management Board of the company that appoints the outsourcing officer assesses whether the 'fit and proper' requirements are satisfied.

A uniform standard applies throughout the Group for assessing whether a person is of good repute. As the outsourcing of key functions involves outsourcing arrangements within the Group, particular attention is paid to identifying and avoiding any conflicts of interest.

Continuing professional development as an ongoing process
The responsible departments in the Company check whether all of the aforementioned members of governing bodies and postholders undertake the continuing professional development necessary to satisfy the requirements of their position. The professional development activities undertaken are documented.

Cause for reassessment
The Company's Fit&Proper guidance defines the intervals for regular assessment and the circumstances that will result in a reassessment of whether someone is deemed 'fit and proper'.

The general rule regarding professional suitability is that the type and extent of any action to be taken by the Company depend on the supposed/actual shortcoming of the individual member of a governing body or holder of a key function. For example, they may be asked to undergo further training in a particular subject area. In extreme cases, however, the Company may consider removal from office or dismissal.

Doubts about personal suitability are investigated without delay. If there are circumstances that, based on general opinion, indicate that someone is not of good repute, the appropriate people within the Company will take immediate action. This action depends on the specific case in question and, above all, on the severity of the alleged or proven misconduct and may be temporary or permanent.

B.3 Risk Management System Including the Own Risk and Solvency Assessment

The assumption of risk is the core business of ARAG as an insurer. This means that its activities aimed at achieving its strategic business objectives naturally involve taking on risks in order to achieve the desired success. To deal with these risks, ARAG has implemented a risk management system, the main elements of which are the risk strategy, a system of limits, a process for own risk and solvency assessment (ORSA), and the operational risk management process, comprising the identification, analysis, measurement, management, monitoring, and reporting of risk.

Implementation of the risk management system

Risk strategy

The Management Board specifies the risk strategy on the basis of the business strategy. As well as providing the framework for how the risk management system is configured from an operational and organizational perspective, it also creates the basis for an appropriate risk culture within the Company (tone from the top). It is formulated in such a way that it provides a basis for the operational management of the risks. The risk strategy also contains rules on risk-bearing capacity in the form of minimum coverage ratios that are determined by business policy requirements and are set by the Management Board based on its risk appetite. The risk-bearing capacity is used to define limits for operational risk management. The risk management processes are described in the guidance for the risk management system.

The risk strategy Is reviewed at least once a year to ensure It Is aligned with the business strategy and risk profile. It is adjusted if required. Adjustments to the strategy must be approved by the Management Board.

Risk-bearing capacity and limit system

The risk-bearing capacity describes the extent to which potential losses from the assumed risks can be offset by own funds. From a regulatory perspective, the Company has risk-bearing capacity if the solvency capital requirement does not exceed the value of eligible own funds, i.e. the regulatory coverage ratio is at least 100.0 percent. The minimum coverage ratio in the business policy expresses the maximum extent to which the Company is prepared to take on risk to achieve the objectives specified in the business strategy. ARAG Allgemeine has set a minimum coverage ratio in the business policy both for the current time and for the period covered by the strategic planning. Due to ARAG Allgemeine's conservative risk and solvency policy, this ratio stands at 150.0 percent. The Company therefore aims to maintain a risk buffer that is higher than the regulatory requirement at all times.

ARAG Allgemeine's limit system provides an additional means of monitoring the risk-bearing capacity as it looks at the risk contribution from individual risk categories. Limits are set at the level of the risk categories (including sub-risks) based on the Management Board's risk appetite. The limit system must be strictly adhered to when the strategic asset allocation is set and in strategic planning. 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, risks need to be reduced, or an adjustment to the limits is required. These calculations also take account of changes to own funds. A traffic light system is used, for both risk-bearing capacity and the limits at risk category level. The system enables ARAG to identify changes in the utilization of limits in good time and initiate corrective measures if necessary.

Risk management function/IRCF
The risk management function is responsible for implementing the risk management system. This function has been outsourced to the Group Risk Management Central Department at ARAG SE. Group Risk Management is separate from the operational departments with profit-and-loss responsibility up to Management Board level. The Chief Risk Officer is responsible for the implementation of the risk management system in all Group companies. The Chief Risk Officer is a member of the Management Board of ARAG SE and responsible for Group Risk Management and Group Controlling. By reporting regularly to the Management Board of ARAG Allgemeine, Group Risk Management ensures comprehensive transparency with regard to the risk position and any changes to the risk position. Group Risk Management is also responsible for refining the risk management system and for drawing up proposals for uniform standards to be applied throughout the Group. The remit of the central department also includes developing and operating models for determining risk-bearing capacity, the solvency capital requirement, and the allocation of solvency capital.

Operational management of risk is carried out by the managers and process owners in those departments where the risks occur (first line of defense; see also B.4). The roles and responsibilities of all the people involved in the process, such as those of the members of the Management Board, managers, and local and central risk managers, are clearly defined and documented in the Company's risk management system guidelines.

Risk management process

Risk identification
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, where required, submitted to the Management Board for decision using appropriate cross-functional review processes, such as the new-product process. Corresponding processes are in place for new investment products and reinsurance instruments. These procedures are also integrated into the existing limit and monitoring processes.

Risk analysis
To ensure risks are managed appropriately, the influencing factors determining the relevant exposures on the Solvency II balance sheet are examined. These influencing factors are regularly validated to check that they are appropriate for the measurement of risk. Risks that are not explicitly quantified in the calculation of the solvency capital requirement (one-year horizon) are analyzed as part of the ORSA process.

Risk assessment
All identified risks are regularly assessed using suitable methods and on the basis of systematically captured and continually updated data.

The key element in this process is the solvency capital requirement, which is calculated for all downside risk. A partial internal model is used to quantify the solvency capital requirement. The model shows the potential loss from the risk exposures that, with a probability of 99.5 percent, will not be exceeded within a holding period of one year. This loss could arise, in particular, as a result of unfavorable movements affecting investments or as a result of unexpected developments in the insurance business. The methodology is regularly reviewed using suitable validation tests. Potential risks that are hard to quantify and do not form part of the solvency capital requirement are measured as part of the ORSA process.

Risk management
The Company's approach is to manage risk where it arises (first line of defense). Operational management of risk is thus 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.

Risk monitoring and reporting
Changes in the risks and adherence to the prescribed limits are examined as part of risk monitoring. The results are presented in the quarterly risk report. A risk/measures inventory is created for operational risks, also on a quarterly basis. The results of the ORSA process are documented in the annual ORSA report.

Unexpected or extreme events can also affect the risk profile. Ad hoc reports are submitted if this is the case.

Own risk and solvency assessment (ORSA)

Insurance companies are required to carry out an own risk and solvency assessment (ORSA) at regular intervals. The ORSA primarily involves measuring all risks associated with a company's business activity and business strategy and determining/assessing the resulting capital requirements (overall solvency requirement).

The annual review of the ORSA policy, which sets out the framework for each ORSA process, provides the starting point for all regular ORSA processes. A qualitative risk analysis is then carried out; this takes the form of a bottom-up assessment by the managers involved.

Another analysis relates to the Solvency II balance sheet, which is material to calculating the solvency capital requirement and serves as the basis for projecting the balance sheet line items and related solvency capital requirement.

The risk model used is also evaluated, whereby the evaluation is based on the results from validating the internally modeled components and from assessing the assumptions used in the standard formula.

The Management Board is responsible for the annual ORSA process and takes a lead role in ensuring it is carried out. Using suitable budgeted figures, the Solvency II balance sheet and the solvency capital requirement are projected beyond the strategic planning period. The results of the risk analysis and the projections are used to determine the overall solvency requirement, which may differ from the solvency capital requirement.

All results are aggregated in the ORSA report and signed off by the Management Board.

The ORSA process is the link between the risk management system and the Company's capital management. The ORSA report describes the extent to which the Company can bear its risks over the planning horizon. The comparison between the overall solvency requirement and eligible own funds provides an indication of future coverage. The Management Board can then use this information to assess whether there may be a need for action regarding the level and structure of own funds and the structure of the risk profile. This may involve the implementation of measures related to capital management and/or adjustments to the risk positioning. In addition to workshops at which the Company's risk position is discussed with the Management Board members, the Management Board also makes decisions on key elements of the ORSA process (e.g. stress tests and sensitivity analyses). The Management Board is thus always aware of, and able to influence, relevant developments affecting the risk profile. In the event of a significant change to the risk profile, the Management Board must trigger an ad hoc ORSA process.

Governance of the partial internal model

The Management Boards of the operating companies in the ARAG Group have formed a Risk Committee in order to incorporate the partial internal model into corporate management. The Risk Committee's main task is to assist the individual Management Boards with performing their risk management tasks in accordance with all statutory and internal requirements. In particular, this includes the establishment and monitoring of the group-wide risk management system. To ensure the regulatory requirements concerning the use of a partial internal model are met in day-to-day operations, the Risk Committee has set up a subcommittee, the Internal Model Committee. The Risk Committee and Internal Model Committee act in both an advisory capacity and a decision-making/monitoring capacity that are clearly defined in internal policies and guidance.

A regular validation process ensures that ARAG Allgemeine's partial internal model is always effective and its specifications are appropriate. Responsibility for validating the model lies with the Actuarial Function Central Department. By assigning the task of model validation to this department, ARAG Allgemeine ensures the necessary independence of the validation process.

Validation involves using qualitative and quantitative processes to check whether the results and forecasts of the partial internal model are sufficiently accurate. Both the mathematical and statistical methods used in the model and the governance processes relating to the partial internal model are verified. At the end of the annual validation cycle, the actuarial function submits a comprehensive validation report to the ARAG Allgemeine Management Board, which evaluates whether the partial internal model is suitable for measuring solvency in accordance with Solvency II and can be used as a basis for management decisions and corporate management.

Should it be necessary to modify the model as a result of the validation or for other reasons, these changes are carried out using a process that is defined in the model modification policy. Firstly, in accordance with regulatory requirements, the Internal Model Committee classifies the change as either a major or a minor model modification. Model enhancements are not the responsibility of the Internal Model Committee. In such cases, a process to obtain new authorization from BaFin must be Initiated. Major model modifications must be approved in writing by the Management Board and then submitted to BaFin for authorization. Minor model modifications are approved and initiated by the Risk Committee on the recommendation of the Internal Model Committee. All approved changes must be implemented without delay. BaFin is informed in writing on a quarterly basis of any minor model modifications that have been applied. The actuarial function carries out an ad hoc validation process to analyze major model modifications. BaFin is informed in good time if there are any plans for major model modifications. This ensures that the partial internal model is accurately tailored to the Company's circumstances at all times.

B.4 Internal Control System

Internal control system

Definition and tasks
The ARAG Group defines the internal control system (ICS) as follows: "The internal control system 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 ICS has a consistent structure throughout the Group, ensuring that the connected systems and reports in the Group can be verified.

It is based on the principles, functions, processes, measures, and policies implemented by the Management Board and on statutory and regulatory requirements that ensure the decisions of the Management Board are implemented operationally. The ARAG Group pursues four main objectives with the ICS:

- The ICS is designed to create and maintain compliance with an organizational framework that ensures that statutory and, in particular, regulatory requirements are implemented.
- The ICS is designed to help with identifying and reducing risks that may jeopardize the continued independence of the ARAG Group.
- The ICS is designed to create the regulatory environment required for use of the partial internal model under Solvency II.
- Thanks to a functioning operational and organizational structure, the ICS contributes to effective and profitable business activities.

An organizational structure that is transparent and appropriate to the Company's risk profile requires tasks and responsibilities to be clearly defined and delineated. Clear rules have to be imposed about who in the Company is responsible for tasks and who is responsible for signing off decisions. Above all, conflicts of interest between the establishment of risk exposures and the monitoring and control of these exposures must be avoided.

Organizational structure of the ICS
The Management Board occupies a special position within the organizational structure because it is responsible for ensuring an orderly and effective system of governance and thus for ensuring that the Company's risk management system and its ICS are appropriate and effective. This means that the Management Board is directly responsible for the ARAG Group's ICS. Vis-à-vis third parties, it is responsible for the appropriate specification of the ICS, i.e. its design, establishment, integrity, and monitoring as well as ongoing adjustments and refinements.

The Management Board has delegated the day-to-day running of the entire ICS to the responsible managers in the ARAG Group, i.e. the Senior Vice Presidents (in Germany) and Branch CEOs (internationally). The ARAG Group structures its ICS in accordance with the 'three lines of defense' model:

First line of defense The first line of defense is formed by all employees and managers in operational roles. Responsibility for risks and processes lies with the Senior Vice Presidents and Branch CEOs. If an organizational unit does not have a Senior Vice President, responsibility lies with the Vice President. The people in this first line are directly responsible for the risks and processes in their departments. In the risk control process, the risk managers are responsible for Identifying and evaluating the risks in their area.

Second line of defense The monitoring of the business and central units is carried out by various interdisciplinary functions (Group Controlling Central Department, Group Legal/Compliance Central Department, Group Risk Management Central Department, and the actuarial function) that are also part of the organizational structure of the ICS. They specify standards for the design and monitoring of controls and for the handling of risk.

Third line of defense The Group Internal Audit Central Department conducts internal audits of the functions in the first and second lines of defense within the ARAG Group. The Group Internal Audit Central Department is also the internal auditor for the Group companies that have contractually appointed it to this role.

Operational structure of the ICS
As part of the ICS's operational structure, all activities, responsibilities, participating functions, and verification procedures for the processes relevant to the ICS are documented using a process and control system in the ADONIS NP tool. This provides an overview of the process architecture within the ARAG Group. An annual reapproval procedure ensures that all process documentation is up to date, accurate, and complete. Processes are classified as being relevant to the ICS on the basis of the following criteria:

- Processes that, if not implemented, will jeopardize the achievement of the ARAG Group's targets (e.g. due to high financial losses, significant loss of reputation, sanctions imposed by the supervisory authority)
- Frequent/high-volume processes (particularly those tying up a large amount of employee capacity)
- Processes relating to a department's main tasks
- Processes that have to be documented by law

Compliance

Because of their intangible nature, insurance products require customers to place a great deal of trust in their insurance company. The leap of faith that customers have to make is based on the expectation that ARAG Allgemeine as an insurance company will comply with the contractual arrangements and legal requirements and, moreover, will measure itself by its own high standards. Customers also need to be able to rely on the Company having adequate and systematic management, control, and sanctioning mechanisms in place to ensure that it lives up to its value proposition. The ARAG Group's compliance management system therefore focuses on fulfilling these objectives.

At Group level, the compliance function is part of the Group Legal/Compliance Central Department and is the responsibility of the Speaker of the Management Board. Although the Compliance Officer submits reports to the Management Board as a whole, this role is directly and exclusively accountable to the Speaker of the Management Board of ARAG SE. The main duty of the function is to create the framework for compliance with the obligation to operate within the law, for example by Issuing policies and guidelines, In order to ensure legal requirements are fulfilled and corporate objectives are achieved. Responsibility for drawing up and implementing specific guidelines and policies lies with the manager of the relevant individual department. The Chief Compliance Officer advises the Management Board on the risk resulting from changes to the law and submits regular reports on the work of the Group Legal/Compliance Central Department to the Management Board.

The risk management/IRCF, compliance, and Internal audit functions regularly share information with each other. This helps to ensure a risk-appropriate compliance structure, avoid duplication of work, and take account of the findings of the other functions when action is to be taken. Furthermore, the compliance function is regularly audited by the internal audit function.

At Group level, there is also a Compliance Steering Group to which the managers in the following areas belong (or can be involved in if required):

- Chief Information Security Officer (optional)
- Internal audit
- IT Security (optional)
- Corporate Communications (optional)
- Risk management
- Tax Department (optional)

This committee holds interdisciplinary discussions on compliance-relevant matters and coordinates management measures. If required, the steering group can be expanded to include other managers or reduced in size to make it more efficient.

B.5 Internal Audit Function

In accordance with a service agreement, ARAG SE performs all internal auditing tasks – in particular the actual auditing but also the reporting – for ARAG Allgemeine. The exception is that the Company's Management Board continues to be responsible for making the fundamental decision about the manner in which internal auditing is set up and carried out.

The Group Internal Audit Central Department assists the Management Board of ARAG Allgemeine with corporate management and helps it to fulfill its managerial and monitoring duties. This department ensures that auditing activities are carried out professionally and in a manner appropriate to the risk situation, in relation to both the Company's targets and its operations.

Following the orders issued by the Management Board, Group Internal Audit examines the operational and organizational structure as well as the ICS for all operating and business processes from a risk perspective.

The Management Board ensures that internal audit carries out its duties autonomously and independently of the units that it audits, particularly in respect of its audit planning, audit procedures, and evaluation of audit results.

To ensure that it is able to fulfill its role and responsibilities properly, the Group Internal Audit Central Department does not get involved in operational processes. Its employees must not be assigned tasks that would conflict with the central department's independence within the ARAG Group, nor are Group Internal Audit's employees allowed to carry out non-auditing work or operational activities. Moreover, Group Internal Audit itself does not have any authority to issue instructions to employees in other departments.

To avoid conflicts of interest, Group Internal Audit does not perform any audit procedures relating to projects. Instead, its involvement in projects is limited to an advisory role, in particular regarding the design of the ICS. Employees in the Group Internal Audit Central Department do not sign off the results of projects or subprojects. This safeguards their independence and ensures they do not have any responsibility for the outcome of the projects in question.

B.6 Actuarial Function

The Management Board of ARAG Allgemeine has appointed ARAG SE's actuarial function to perform the actuarial function under a service agreement. The actuarial function is directly accountable to the member of the Management Board of ARAG SE responsible for Group Risk Management and Group Controlling.

The actuarial function acts independently of the units at ARAG Allgemeine with profit-and-loss responsibility. Its core tasks include ensuring that the methods, models, and assumptions used to calculate the technical provisions are appropriate. In addition, it ensures the appropriateness of ARAG Allgemeine's underwriting, contracting, and reinsurance policies. The actuarial function has also been assigned responsibility for validating ARAG Allgemeine's partial internal model, so it plays an important part in implementing the risk management system.

To ensure that they are able to fulfill the tasks assigned to the actuarial function adequately, the head and employees of the actuarial function must be able to communicate with all relevant employees at ARAG Allgemeine independently. They therefore have unrestricted access to the information that they need to complete their tasks and are notified of relevant matters promptly, including on an ad hoc basis if necessary. Each year, the actuarial function submits a report to the Management Board containing information about the results of its work over the year. Above all, this report provides evidence that the appropriateness of ARAG Allgemeine's technical provisions, underwriting and contracting policies, and reinsurance agreements is assured. Besides this general reporting channel, the head of the actuarial function is also able to report directly to the Management Board and Supervisory Board of ARAG Allgemeine if necessary.

B.7 Outsourcing

In accordance with section 7 no. 2 of the German Insurance Supervision Act (VAG), ARAG Allgemeine defines any kind of outsourcing as "an agreement in any form between an insurance company and a service provider, on the basis of which the service provider carries out a process, service, or task directly or by outsourcing it to another company that the insurance company would otherwise carry out itself; the service provider may or may not be subject to regulatory supervision". This includes services previously carried out by the insurance company itself and services that the insurance company could carry out itself.

Apart from the Management Board's primary tasks, in particular ensuring a proper system of governance and making strategic decisions, all activities can in principle be outsourced. Third parties can only be involved with the Management Board in an advisory or support capacity.

Every outsourcing project must be assessed to establish whether it involves the outsourcing of a function or typical insurance activity subject to the regulatory outsourcing requirements. Section 32 VAG specifies that this includes functions (actuarial function, compliance, risk management, and internal audit) and insurance activities (e.g. policy management and claims handling) subject to enhanced requirements where the insurance activities concerned are classified as important (e.g. due to the scope of the outsourced activity). The outsourcing of functions is always classified as important. If a project is to be classified as 'outsourcing', there must always be a relationship between the outsourced function or activity and the insurance business. This applies regardless of whether the service provider is an external company or a Group company. Where outsourcing within the Group takes place, no less care is taken in respect of the outsourced projects and their monitoring and control, for example by the service provider’s dedicated points of contact. Outsourcing within the Group may justify a more flexible approach in individual cases if this involves fewer risks than with outsourcing to an external company. Nevertheless, it is still essential that service activities in the individual Group companies are adequately separated from an organizational perspective.

The outsourcing of a key function represents a special situation, however. In this case, the Management Board has to appoint an outsourcing officer for the outsourced function who is responsible for the proper performance of the key function by the service provider and has to meet the ‘fit and proper’ requirements because of their monitoring role.

In view of the legal requirements, an internal policy is in effect that sets out minimum criteria that must be met when considering outsourcing projects. It also contains rules regarding the assignment of responsibilities, authorization levels, and accountability. The principle of proportionality must be applied for each project. This means there are no fixed scopes of assessment. Instead, the requirements have to be proportionate to the risks. In general, ARAG Allgemeine ensures that outsourcing never has an adverse impact on the proper performance of the outsourced functions or insurance activities, on the Management Board’s ability to manage and control them, or on the supervisory authority’s ability to verify and control them. It also ensures that the service provider can be monitored at any time by the supervisory authority.

With the exception of service provision and operations, ARAG Allgemeine (including its branches outside Germany) has outsourced to ARAG SE (i.e. within the Group) nearly all operational activities and, in particular, the key functions of risk management, compliance, internal audit, and the actuarial function. The prices agreed with the service providers are deemed to be typical for the market. This means that the outsourced functions and activities are still performed under the jurisdiction of German law and under the supervision of BaFin.

The Company has appointed an outsourcing officer for each key function to verify that they are carried out properly by ARAG SE. In all outsourcing arrangements, responsibility for complying with the regulatory requirements always remains with ARAG Allgemeine as it is the company whose functions are being outsourced.

Use was made in the reporting year of the option of outsourcing individual insurance activities in compliance with all legal requirements. However, these were exclusively instances of partial outsourcing that did not affect the internal decision-making powers in the individual units.

B.8 Any Other Information

The preceding chapters contain all of the important information about the system of governance.

C. RISK PROFILE

The following chapter describes the risk profile of ARAG Allgemeine, which results from the risks inherent in the business strategy and in the business itself.

There are no material risks arising from off-balance-sheet exposures, nor are any risks transferred to special-purpose entities.

Events and developments with a general impact, such as changes in the capital markets, the elevated level of inflation compared with previous years, and various global crises such as the Russian Federation's ongoing war of aggression against Ukraine, may affect the Company's risk profile. Based on current assessments, there was no significant change to the Company's risk profile during the reporting period. Capacity to assume risk has been maintained in full. In addition to the quarterly risk calculations, this has been demonstrated by ad hoc rough calculations of own funds and the solvency capital requirement (SCR).

C.1 Underwriting Risk

Risk exposure

Underwriting risk is the risk from an adverse change in insurance claims. It can arise from pricing that is subsequently found to be inadequate or from provisioning assumptions that require adjustment. The associated losses result from the following risk categories:

- Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the duration of claims settlement and the amount involved
- Catastrophe risk and accumulation risk: significant uncertainties regarding the volume or frequency of claims arising from extreme events
- Lapse risk: incidence of customers exiting their contracts early that is above the expected lapse rate
- Longevity and cost risk of recognized annuities in the liability, accident, and motor insurance businesses: changes in the level or trend of mortality rates or of the administrative expenses associated with annuity liabilities

The solvency capital requirement for underwriting risk went up from €40,772 thousand as of December 31, 2022 to €54,843 thousand as of December 31, 2023, an increase of €14,071 thousand or 34.5 percent. This rise primarily related to a change in reinsurance cover, resulting in greater natural disaster risk. The biggest sub-risks were premium risk and catastrophe risk.

Risk measurement

Risks are measured with an internal model. Using simulations, possible losses and adverse changes in liabilities that could occur within a one-year observation period are forecast. The value of the risk equates to the 99.5 percent quantile. Each risk is measured separately. For premium and reserve risk, the policies and insured risks are aggregated into groups of risks sharing similar characteristics. These are then used for simulations of future claims and/or required additions to reserves. Likewise, catastrophe risk is measured by simulating losses that may arise from natural disasters or large claims caused by people. Lapse risk is calculated on the basis of historical data. The actual underwriting risk arises from the aggregation of the individual risks, taking diversification effects into account.

A major model modification was carried out during the reporting period that involved adjusting the modeling of cost risk and longevity risk. This had an only minor impact on the capital requirement in the underwriting risk module.

Risk concentration
The Company focuses on small-scale insurance business for private customers and small businesses, as can be seen from its portfolio of products. It does not underwrite serious or industry risks. This should avoid concentrations of risk. In individual cases, unfavorable timing in the occurrence of claims could lead to a concentration of catastrophe risk. The limit system ensures that the underwriting risk as a whole and its sub-risks remain limited in the Company's risk profile.

Risk mitigation
The Company reduces the risks in various ways, including by using a reinsurance program that focuses mainly 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.

Risk sensitivity
In the reporting period, various sensitivity analyses were carried out as of June 30, 2023 as part of the own risk and solvency assessment (ORSA) process. A baseline scenario, which reflected the best estimates for actuarial parameters, was produced first. Then the impact of the claims ratio and the cost ratio rising on a linear basis by up to 20.0 percent in 2026 was examined. The rise in the cost ratio had a bigger impact. Disregarding additional compensatory payments under the existing profit-and-loss transfer agreement, these changes caused the coverage ratio, compared with the baseline scenario, to decrease by no more than 27.2 percentage points to 185.8 percent in the calculation for 2024.

In addition, potential effects of climate change on ARAG Allgemeine's insurance business were examined as part of the ORSA process. For the climate change and underwriting business scenario, the impact of climate-related changes in the case of river flooding and hail events was examined. These changes were modeled on the basis of the increased frequency and growing intensity of the events. The impact on the SCR and the coverage ratio for three future points in time (five years, 15 years, 30 years) were also analyzed for an extreme scenario. The analysis shows that although the impact would be significant in this scenario, coverage would be sufficient at all times.

C.2 Market Risk

Risk exposure

Market risk is the risk of 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
- Equity risk (including equity investments): changes in the level or volatility of the market prices of equities
- Credit risk (attaching to investments): changes resulting from investments in default (default risk), changes in the level or volatility of credit spreads over the risk-free interest-rate term structure (spread risk), and changes resulting from the migration of investments to different credit ratings (migration risk)
- Currency risk: changes in the level or volatility of exchange rates

The solvency capital requirement for market risk went up from €81,215 thousand as of December 31, 2022 to €87,100 thousand as of December 31, 2023, an increase of €5,885 thousand or 7.2 percent. The biggest sub-risks were equity investment risk and credit risk (attaching to investments).

Risk measurement

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 – when all risk factors are considered simultaneously – equates to the difference between the performance expectation and the 99.5 percent quantile of the distribution, taking diversification effects into account.

A major model modification was carried out during the reporting period: The economic scenario generator obtained from an external provider for the modeling of market risk was replaced with a solution developed by ARAG itself.

Risk concentration

The Company applies the prudent person principle to its investments. This requires an appropriate diversification of the portfolio, as a result of which risk concentrations are generally restricted. The Company's limit system takes into account the individual risk profile of the investment and prevents a concentration of the sub-risks, which the Company would not be able to bear. The actuarial function has classified concentration risk as not material and monitors it regularly. The limit system also ensures that market risk as a whole does not exceed an undesirable level in the risk profile of the Company.

Risk mitigation

The regulatory requirements for implementing the prudent person principle form the framework for the risk mitigation measures. At strategic level, risk is limited by virtue of the fact that, at ARAG Allgemeine, market risk limits are taken into account when determining the strategic asset allocation each year. Adherence to the limits is reviewed every quarter. A focus on a target portfolio that is steady over a number of years and an annual review of the asset/liability management (ALM) situation at individual company level also ensure that these risk mitigation measures remain effective over the long term.

Operational measures to mitigate risk are set out in the investment guidelines. These specify that derivatives can only be used to hedge market risk.

Risk sensitivity
A stagflation scenario was examined as part of the ORSA process in order to take account of potential fallout from geopolitical tensions. To this end, a baseline scenario that reflected the best estimates for the relevant parameters, such as capital markets and costs, was produced as of June 30, 2023. The material assumptions in the stagflation scenario were the acceleration of inflation, a sharp rise in interest rates, and a subsequent recession. A fall in share prices combined with a widening of spreads and a reduction in demand for real estate were also assumed. The impact on the underwriting business of an inflation-driven increase in claims and costs compared with the baseline scenario was also taken into consideration. For 2024, the analysis showed that these changes would cause the coverage ratio, compared with the baseline scenario, to decrease by 69.3 percentage points to 143.8 percent.

Another scenario analysis carried out as part of the ORSA process examined the impact of the long-term risks associated with climate change on the Company's investment portfolio. These climate change risks relate, for example, to additional costs resulting from political decisions on carbon emissions and costs resulting from extreme weather events. At the same time, profits can be made due to technological advances. The analysis was undertaken for several scenarios and took into account the pace of climate change and its relationship with greenhouse gas emissions and the global business processes that lead to those emissions. The analyses performed showed that the potential loss of own funds from climate change would be tangible but would not endanger ARAG Allgemeine's risk-bearing capacity.

C.3 Credit Risk

Risk exposure
While counterparty default risk attaching to investments is determined as part of market risk, counterparty default risk in the insurance business is treated separately. Counterparty default risk in the insurance business largely arises in connection with receivables from reinsurers and receivables from policyholders/insurance brokers.

The solvency capital requirement for credit risk fell from €4,213 thousand as of December 31, 2022 to €4,064 thousand as of December 31, 2023, a decrease of €149 thousand.

Risk measurement
Risk is measured using the partial internal model and components of the standardized approach. The risk of default on receivables from reinsurers is measured on the basis of the information available and proportionality considerations. The reinsurers' 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.

There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration
The counterparties with a significant exposure are reinsurers. Risk concentrations are avoided because the reinsurance treaties are distributed among multiple reinsurers in accordance with the reinsurance strategy.

Risk mitigation

Default risk in connection with reinsurance treaties is reduced in accordance with the reinsurance strategy, which is reviewed at regular intervals.

As regards counterparty default risk arising from the insurance business, receivables from policyholders are managed by means of an automated reminder and dunning process. Outstanding receivables from insurance brokers are offset.

Risk sensitivity

A separate stress test was not carried out for credit risk because of the relatively minor significance of credit risk in the overall risk profile of the Company.

C.4 Liquidity Risk

Risk exposure

Liquidity risk is the risk that insurance companies may be 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).

As sufficient liquidity is available even in a liquidity stress situation (see the information on risk sensitivity), liquidity risk is not regarded as material.

Risk measurement

Liquidity risk is measured by calculating the monthly excess liquidity cover or liquidity shortfall on a rolling basis and, if required, carrying out a variance analysis. This process enables new information to be factored into the liquidity plan, ensuring the liquidity plan is always up to date. As a rule, the biggest shifts in the liquidity plan are triggered by external events (e.g. capital commitments being called) or internal decisions (e.g. timing of the disbursement of net income for the year or dividend payments, timing of capital expenditure). Liquidity planning is updated regularly 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. There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration

A risk concentration could arise if the Company had to simultaneously settle an increased number of liabilities because of disasters or accumulation events. Tight counterparty and issuer limits restrict the liquidity risk for individual issuers, such that a concentration of liquidity risk is unlikely.

Risk mitigation

Liquidity is managed not only by setting liquidity limits but also by updating the liquidity planning regularly. The Company thus has early warning of whether it will require liquidity in the coming months. In particular, changes resulting from internal decisions can be managed within a narrow timeframe and are accompanied by proactive internal communications with the relevant departments, enabling the liquidity plan to be adapted accordingly with regard to how liquidity can be used. These types of plan shifts do not have a structural impact on the liquidity profile. External events are taken into account appropriately, primarily by regularly modeling how capital commitments are called and incorporating the results into the liquidity planning.

Changes in the liquidity plan and bottlenecks are offset by acquiring assets for the investment portfolio or selling such assets. To ensure the Company can meet its payment obligations at all times, most investments are made in the 'available-for-sale at short notice' liquidity class. If it became apparent that selling securities was also becoming more difficult, the Company would respond by increasing the liquidity that it held as a safety buffer.

A medium- to long-term liquidity summary at individual company level was prepared as part of ALM. The effectiveness of risk mitigation techniques is reviewed annually so that structural variances can be identified and their use adjusted accordingly.

Risk sensitivity

Suitable sensitivity analyses were carried out as part of ALM in order to ensure appropriate liquidity levels even in the event of a business downturn. This involved examining how constraints on the ability to liquidate certain asset classes and any potential markdown would impact on the realizable market values of fungible investments. Liquidity was found to be sufficient in all of the analyses carried out.

Profits contained in future premiums

The expected profits included in future premiums represent a fairly illiquid component of basic own funds. These profits are therefore associated with a potential liquidity risk. Even if the expected profits contained in future premiums are not factored into basic own funds, the resulting liquidity risk is still classified as very low because of the significant excess cover. The expected profits included in future premiums amounted to minus €5,317 thousand.

C.5 Operational Risk

Risk exposure

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

The solvency capital requirement for operational risk fell from €6,576 thousand as of December 31, 2022 to €6,490 thousand as of December 31, 2023, a decrease of €86 thousand.

Risk measurement

The Company uses the standard formula to determine the solvency capital requirement. Measurement for operational purposes is carried out 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 in this context. 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. As risks are measured using subjective estimates carried out by experts, a loss event database is used as an additional instrument to help determine the values. This contains data on all loss events that have occurred and their actual impact. Material operational risks are also included in the strategic positioning risk analysis in the ORSA process.

There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration

The Company is not exposed to any operational risk that would lead to an unsustainable loss. There are contingency plans in place, for example in the area of business continuity management, for risks that could have an impact on the entire Company.

Risk mitigation

Specific measures are agreed upon and carried out at operational level in order to reduce the identified risks. The possible strategies for dealing with a risk include:

- Accept: No measures to reduce the effects are possible or considered necessary.
- Mitigate: The effects are mitigated by taking suitable measures.
- Transfer: The effects are transferred to another risk carrier, e.g. by taking out insurance.
- Avoid: Measures are taken to avoid the risk, even as far as not carrying out the activities that give rise to the risk.

With regard to cyber risk, these strategies include information technology security measures and insurance solutions. Additional measures have been taken to counter the potential impact from a cyberattack. These include, for example, the definition of appropriate countermeasures as part of a business continuity management system. The implementation of each strategy used is continuously monitored to ensure the measures taken to reduce the risk remain effective on an ongoing basis.

Given that uncertainties surrounding the security of the energy supply may continue, the possibility of an electricity outage for an extended period cannot be ruled out. The steps required to mitigate the immediate impact on operations are documented in business continuity manuals. Business interruption insurance has been taken out in order to limit the financial consequences.

Legal risk encompasses the risk of violations of the law and the risk resulting from changes to the law. Internal training, monitoring, expert analysis and, for specific topics, the establishment of new processes are the measures implemented to mitigate the risk of the law being violated. To reduce the risk resulting from changes to the law, the legislation is monitored closely so that the Company can respond to any changes quickly and adequately.

Risk sensitivity
A separate stress test was not carried out for operational risk because of the specific nature of this type of risk in terms of the measurement methodology used for solvency and management purposes.

C.6 Other Material Risks

Strategic risks, reputational risks, and emerging risks

Strategic risks, reputational risks, and emerging risks are further risks specified in the Company's risk strategy. These risks are measured during the annual ORSA process. The risk categories described below do not encompass any risks to the Company's continued existence as a going concern.

Strategic risks
Strategic risks are the risks that arise from strategic business decisions. They also include the risk of failure to adapt business decisions in line with changes in the economic environment. Strategic risks are normally risks that occur in connection with other risks.

Reputational risks
Reputational risks are the risk of potential damage to the reputation of the Company arising from a negative perception of the Company among the general public (for example, among customers, business partners, authorities). Like strategic risks, reputational risks are normally risks that occur in connection with other risks.

Emerging risks
Emerging risks are risks that arise from changes in the socio-political or scientific/technical environment and that could have an impact on the Company's portfolio that is as yet unrecorded or unknown. The very nature of these risks means that there is a very high degree of uncertainty as to the probability of occurrence and the extent of potential losses.

Sustainability risks

Sustainability risks are events or conditions relating to the environment, social responsibility, or corporate governance (ESG) whose occurrence could have an adverse effect on the Company's net assets, financial position, and results of operations and on its reputation.

Rather than forming a separate risk category, sustainability risks may have an impact within the other familiar risk categories, such as underwriting risk, market risk, actuarial risk, liquidity risk, operational risk, strategic risk, and reputational risk.

Consequently, risk management at ARAG Allgemeine takes account of sustainability risks within the framework of the existing risk categories, with climate change risks being a key focus at present. For the Company, there is a particular risk to the insurance business and to investments in connection with climate change. In the reporting year, the Company performed scenario analyses with respect to potential effects on the investment portfolio and the insurance business as part of the ORSA process. Further information on these analyses can be found in chapters C.1 and C.2.

Sustainability risks in the social and corporate governance spheres are also taken into account as the Company does not support those seeking to raise capital through investments that contravene standards of human rights, decent working conditions, or equal opportunities, or those that cannot document any steps they have taken to transform the ESG impact of their business.

The transition to a sustainable society is one of the key tasks and challenges of the current age. A company's social responsibilities and its business activities are intrinsically linked. These are the foundations needed to successfully navigate this transformation and achieve the intended objectives. The ARAG Group is committed to this task and is taking a holistic approach that is focused on all three ESG spheres. This approach is also enshrined in the ARAG sustainability strategy and in the ARAG 5>30 corporate strategy.

C.7 Any Other Information

The preceding chapters contain all of the important information about the risk profile.

D. VALUATION FOR SOLVENCY PURPOSES

The following chapters explain how assets, technical provisions, and other liabilities are valued for solvency purposes (Solvency II or SII). The methods prescribed by the German Commercial Code (HGB) for the valuation of individual items are addressed in connection with the explanation of the valuation differences. The table below provides an initial overview for ARAG Allgemeine:

Total assets, technical provisions, and other liabilities

(€'000)	SII as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	SII as of Dec. 31, 2022	SII change
Assets	504,923	433,826	71,098	477,995	26,929
Technical provisions	218,525	306,927	– 88,402	215,221	3,304
Other liabilities	65,501	71,576	– 6,075	49,316	16,184
Excess of assets over liabilities	**220,897**	**55,323**	**165,575**	**213,457**	**7,440**

Key valuation bases for the economic values

The valuation of the Solvency II balance sheet requires a holistic, economic, and market-consistent approach. Financial assets and liabilities are therefore reported at market value (economic value).

In accordance with article 10 of Delegated Regulation (EU) 2015/35 (the Delegated Regulation), the economic values are determined using the following valuation hierarchy:

- Mark-to-market approach (level 1)
- Marking-to-market approach (level 2)
- Mark-to-model approach (level 3)

If, as of the reporting date, a price is quoted in an active market for the assets or liabilities to be valued (standardized approach), this is used for the valuation (level 1). Where it is not possible to determine the price with the aid of an active market, an economic value is determined on the basis of similar assets, with any necessary adjustments (level 2). Alternative valuation methods are used if it is not possible to determine an economic value for assets and liabilities using either the mark-to-market approach or the marking-to-market approach (level 3). Taking the nominal amount, amortized cost, or value derived from the adjusted equity method as the economic value represents a potential simplification. A representation of the main items aggregated according to the valuation hierarchy is shown in chapter D.4 'Alternative Methods for Valuation'.

Materiality and proportionality approach

This chapter outlines the key items under assets, technical provisions, and other liabilities where the valuation using the hierarchy and simplification method is considered material. The following distinctions are made:

- The explanation of the main items includes a description of how they are valued in accordance with Solvency II. Supplementary information on the aforementioned hierarchy method is provided on a case-by-case basis in the descriptions of how individual items are valued. Significant year-on-year changes in the SII value are also reported.
- Brief explanations are provided for other items that appear on the balance sheet but that are not material for the Company based on their valuation for regulatory purposes. No details are provided on year-on-year changes in the SII value as these are categorized as immaterial.
- Unlike in the cases above, no further descriptions are provided for all other items that are not recognized under Solvency II or did not exist as of the reporting date. These are shown with a zero value in the overview tables provided at the beginning of each subchapter.

Material changes compared with the prior year

In the reporting period, there were no changes in the valuation bases (including any estimates) described below that are used for the Solvency II balance sheet.

All quantitative disclosures can also be found in the quantitative reporting form in the appendix of this report.

D.1 Assets

Comparison between the Solvency II balance sheet and HGB balance sheet: Assets

Assets as of December 31

(€'000)	Solvency II as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	Solvency II as of Dec. 31, 2022	SII change
Goodwill	0	0	0	0	0
Deferred acquisition costs	0	0	0	0	0
Intangible assets	0	2,283	– 2,283	0	0
Deferred tax assets	0	0	0	0	0
Pension benefit surplus	0	0	0	0	0
Property, plant & equipment held for own use	14	14	0	0	14
Investments					
Property (other than for own use)	0	0	0	0	0
Holdings in related undertakings, including participations	103,932	49,589	54,343	102,905	1,028
Equities	0	0	0	0	0
Bonds	131,327	139,736	– 8,409	90,625	40,702
Collective investment undertakings	203,157	171,994	31,163	211,489	– 8,332
Derivatives	0	0	0	0	0
Deposits other than cash equivalents	87	87	0	85	2
Other investments	0	0	0	0	0
	438,503	**361,407**	**77,097**	**405,103**	**33,400**
Assets held for index-linked and unit-linked contracts	0	0	0	0	0
Loans and mortgages	0	0	0	0	0
Reinsurance recoverables	22,477	26,193	– 3,716	23,584	– 1,107
Deposits to cedants	0	0	0	0	0
Insurance and intermediaries receivables	12,883	12,883	0	15,578	– 2,696
Reinsurance receivables	411	411	0	3,074	– 2,663
Receivables (trade, not insurance)	10,259	10,259	0	7,192	3,067
Own shares (held directly)	0	0	0	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	0	0	0
Cash and cash equivalents	20,174	20,174	0	23,221	– 3,047
Any other assets, not elsewhere shown	202	202	0	241	– 39
Total assets	**504,923**	**433,826**	**71,098**	**477,995**	**26,929**

Deferred tax assets

International Accounting Standard (IAS) 12 requires deferred tax assets to be set up for temporary differences between the Solvency II balance sheet and the tax base that result from the recognition and valuation of assets, technical provisions, and liabilities.

Deferred taxes from tax group subsidiaries (companies controlled by the parent company and/or with which a profit-and-loss transfer agreement has been concluded) are recognized by the tax group parent because the income of the tax group is aggregated for tax purposes and taxed overall at the level of the tax group parent. Deferred tax assets are not discounted.

Under the German Commercial Code (HGB), the excess deferred tax assets after netting are not recognized because the option available under section 274 (1) sentence 2 HGB has not been applied. Under Solvency II, the amount after netting is recognized under deferred tax liabilities.

Holdings in related undertakings, including participations

Related undertakings are companies that are majority owned by, or controlled by, another Group company. For simplification purposes, a participation is understood to mean ownership or control of at least 20.0 percent of the voting rights or share capital of an undertaking.

ARAG Allgemeine's affiliated companies (related undertakings), including other equity investments (participations), as of December 31, 2023 are listed in chapter A.1 'Business'.

At the first valuation level, quoted market prices are taken as the economic value. As no quoted market prices (level 1) are available, the adjusted equity method is used as the alternative valuation method (level 3). Applying this method, the subsidiary's own funds under Solvency II are recognized on a pro rata basis and taken as the economic value.

As of December 31, 2023, the Solvency II carrying amount came to €103,932 thousand. The year-on-year increase of €1,028 thousand in the Solvency II carrying amount was mainly attributable to the higher net asset value (NAV) of an affiliated company (related undertaking).

The difference between the carrying amount at cost on the HGB balance sheet and the fair value on the Solvency II balance sheet results from using different valuation methods. Under HGB, shares in affiliated companies (related undertakings), including equity investments (participations), are valued at cost and – where necessary – written down to their fair value. Write-downs are reversed to no more than the historical cost if the reason for recognizing them ceases to apply. The fair value is determined using an income capitalization approach based on a planning horizon of usually three years.

Bonds

(€'000)	SII as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	SII as of Dec. 31, 2022	SII change
Government bonds	33,934	35,985	– 2,051	28,628	5,306
Corporate bonds	97,394	103,752	– 6,358	61,997	35,396
Structured notes	0	0	0	0	0
Collateralized securities	0	0	0	0	0
Total	**131,327**	**139,736**	**– 8,409**	**90,625**	**40,702**

Bonds are debt securities through which a loan is raised on the capital market. Unlike personal loans, bonds are public instruments and can be issued only by legal entities. They encompass government bonds, corporate bonds, structured notes, and collateralized securities.

The economic values of interest-bearing financial instruments are calculated at the quoted market price or market value that contains the accrued interest income as of the valuation date. If no quoted market price or market value is available for valuation (level 1), the discounted cash flow method – applying risk-adjusted yield curves – is used as the alternative valuation method (level 3). Premiums and discounts are not recognized separately.

The year-on-year increase of €40,702 thousand in the Solvency II carrying amount was mainly attributable to rises in government and corporate bond prices and, in particular, the expansion of the portfolio of corporate bonds.

The valuation difference results from valuation on the HGB balance sheet in line with the discretionary principle of lower of cost or market value based on the decision to hold the securities until maturity, and from recognition at fair value on the Solvency II balance sheet.

Collective investment undertakings

(€'000)	SII as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	SII as of Dec. 31, 2022	SII change
Equities	65,386	55,107	10,279	61,453	3,933
Bonds	130,665	110,124	20,541	136,273	– 5,608
Other	7,106	6,764	342	13,764	– 6,657
Total	**203,157**	**171,994**	**31,163**	**211,489**	**– 8,332**

The balance sheet line item 'Collective investment undertakings' includes equities and investment fund shares/units. These are investment companies or specific funds whose sole purpose is to invest pooled capital in securities and/or other financial assets.

For solvency purposes, the redemption price determined by the investment management company for the investment fund units/shares is used to determine the economic value. If no redemption price is available for valuation (level 1), the adjusted equity method is used as the alternative valuation method (level 3). This value is not restricted to the cost.

- Investment funds are generally, in accordance with EU Directives 2009/65/EC and 2011/61/EU, classified as collective investment undertakings or as alternative investment funds.
- In accordance with the Delegated Regulation, collective investment undertakings in which the stake held is more than 20.0 percent are reported under the line item 'Holdings in related undertakings, including participations'.
- If the stake in investment companies or other incorporated entities is no more than 20.0 percent, it is recognized under 'Unlisted equities'.
- If the stake cannot be assigned to either of these items, it is recognized under 'Other investments'.

As of December 31, 2023, the Solvency II carrying amount for collective investment undertakings was €203,157 thousand. The year-on-year decrease of €8,332 thousand in the economic value was mainly due to a reduction in the portfolio of bonds and other collective investment undertakings following the sale of such securities at a profit thanks to favorable price movements.

The valuation difference results from recognition at cost on the HGB balance sheet, based on the discretionary principle of lower of cost or market value due to designation as held for long-term investment, and recognition at fair value on the Solvency II balance sheet.

Deposits other than cash equivalents

This balance sheet line item comprises deposits other than cash equivalents that cannot be used on demand to settle payments and that cannot be converted into cash or transferred without restrictions.

Deposits other than cash equivalents primarily comprise bank deposits (call and term deposits) that have a corresponding contractual maturity. Due to the short-term nature of these assets, the nominal amount serves as a reliable proxy of the fair value in application of the principle of proportionality. As a result, the value under HGB and the value for solvency purposes are the same.

Reinsurance recoverables

(€'000)	SII as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	SII as of Dec. 31, 2022	SII change
Non-life and health similar to non-life	**22,477**	**26,193**	**– 3,716**	**23,584**	**– 1,107**
of which: non-life excluding health	21,155	26,193	– 5,038	21,983	– 829
of which: health similar to non-life	1,323	0	1,323	1,601	– 278
Life and health similar to life, excluding health and index-linked and unit-linked	**0**	**0**	**0**	**0**	**0**
of which: health similar to life	0	0	0	0	0
of which: life excluding health and index-linked and unit-linked	0	0	0	0	0
Life index-linked and unit-linked	**0**	**0**	**0**	**0**	**0**
Total	**22,477**	**26,193**	**– 3,716**	**23,584**	**– 1,107**

This balance sheet line item records the reinsurers' share of technical provisions. It includes reinsurance/special purpose vehicle (SPV) recoverables, cash flows from reinsurance receivables and liabilities, and deposits and liabilities from reinsurance business.

On the HGB balance sheet, the reinsurers' share of technical provisions is deducted from the provision for unearned premiums and the provision for outstanding claims. The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements. The proportions of the provision for outstanding claims relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties.

On the economic balance sheet, the reinsurers' shares are aggregated. To determine the economic value, the reinsurers' pro rata share of the technical provisions is calculated using the reinsurers' best estimate in accordance with the underlying treaty. The reinsurers' share is determined on an individual claim basis in accordance with the contractual terms.

The year-on-year decrease of €1,107 thousand in the economic value was due to ongoing business operations.

Applying the aforementioned valuation methods, the carrying amount on the Solvency II balance sheet as of December 31, 2023 was lower than the HGB carrying amount.

Insurance and intermediaries receivables

This item comprises contractual claims for payment or for other benefits vis-à-vis policyholders and insurance intermediaries.

Because there is no active market for insurance[1] and intermediaries receivables, and because of the short-term nature of the receivables (due within twelve months), the materiality of the risk, and the disproportionate time, effort, and expense that would otherwise be involved, the nominal amount of the receivables is used as the economic value, which is also the case under HGB. Loss allowances are taken into account.

Reinsurance receivables

Included in this item are claims for payment or for other benefits arising from treaties with reinsurers.

There is also no active market for reinsurance receivables. On grounds of materiality, the carrying amount (nominal amount) can be used for receivables maturing within twelve months. If the maturity period of the receivables is longer (more than twelve months), the economic value is determined using the present value method. In the case of a reinsurance arrangement that is long term, renewed annually, and under which the deposits are regularly settled at the end of each year and reissued, the formal term of the treaty is taken to be the payment term.

In the event of actual default risk relating to rating downgrades, specific allowances are recognized in the amount that is no longer likely to be recovered. None of ARAG Allgemeine's reinsurance treaties have terms longer than twelve months, so the economic value is the same as the nominal amount under HGB.

Receivables (trade, not insurance)

This item comprises contractual claims against a debtor for payment or other benefits that are not related to insurance, for example receivables due from affiliated companies, tax assets, and interest and rent receivables that are due.

There is no active market in which receivables (trade, not insurance) can be traded on arm's-length terms between knowledgeable, willing parties. As is the case under HGB, the economic value is reported as the nominal amount reduced by allowances. With the exception of tax assets, these receivables are mostly classified as current (due within twelve months).

[1] Insurance receivables for the most part refer to receivables due from policyholders and insurance companies.

Cash and cash equivalents

The balance sheet line item 'Cash and cash equivalents' comprises demand deposits and cash on hand valued at their nominal amounts. It includes outstanding bank notes and coins used as general forms of payment. Also reported here are deposits that can be converted directly into foreign currency at their nominal amount on demand and without penalty or restriction.

As is the case under HGB, the nominal amount of cash and cash equivalents (cash and demand deposits) is used as the economic value.

Any other assets, not elsewhere shown

Assets that are not otherwise included in other balance sheet line items are recognized here. As is the case under HGB, the nominal amount is used as the economic value.

Please refer to chapter A.4 'Performance of Other Activities' of this report for disclosures relating to leases.

D.2 Technical Provisions

Comparison between the Solvency II balance sheet and HGB balance sheet: Technical provisions

Technical provisions as of December 31

(€'000)	Solvency II as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	Solvency II as of Dec. 31, 2022	SII change
Technical provisions – non-life					
Technical provisions – non-life (excluding health)					
Technical provisions calculated as a whole	0	265,199	– 265,199	0	0
Best estimate	121,015	0	121,015	115,761	5,254
Risk margin	6,268	0	6,268	5,084	1,184
	127,283	**265,199**	**– 137,916**	**120,845**	**6,439**
Technical provisions – health (similar to non-life)					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	54,652	0	54,652	55,940	– 1,288
Risk margin	3,151	0	3,151	2,735	416
	57,803	**0**	**57,803**	**58,675**	**– 872**
	185,086	**265,199**	**– 80,113**	**179,520**	**5,566**
Technical provisions – life (excluding index-linked and unit-linked)					
Technical provisions – health (similar to life)					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	31,185	0	31,185	29,612	1,572
Risk margin	326	0	326	340	– 14
	31,511	**0**	**31,511**	**29,953**	**1,558**

→

→ Technical provisions as of December 31

(€'000)	Solvency II as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	Solvency II as of Dec. 31, 2022	SII change
Technical provisions – life (excluding health and index-linked and unit-linked)					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	1,910	0	1,910	5,662	– 3,752
Risk margin	18	0	18	86	– 68
	1,928	**0**	**1,928**	**5,748**	**– 3,820**
	33,439	**0**	**33,439**	**35,701**	**– 2,262**
Technical provisions – index-linked and unit-linked					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	0	0	0	0	0
Risk margin	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
	218,525	**265,199**	**– 46,674**	**215,221**	**3,304**
Other technical provisions	**0**	**41,727**	**– 41,727**	**0**	**0**
Total technical provisions	**218,525**	**306,927**	**– 88,402**	**215,221**	**3,304**

Technical Provisions

The valuation in accordance with HGB requirements and its results are described first. This is followed by an explanation of the regulatory valuation methods and their results.

As of the reporting date, the technical provisions in accordance with HGB amounted to €280,734 thousand (December 31, 2022: €287,697 thousand). In addition to provisions for unearned premiums of €30,509 thousand (December 31, 2022: €32,761 thousand) and the actuarial reserves of €13 thousand (December 31, 2022: €15 thousand), the HGB technical provisions included the provision for outstanding claims of €208,484 thousand (December 31, 2022: €209,902 thousand) and the miscellaneous technical provisions of €41,727 thousand (December 31, 2022: €45,020 thousand), which under Solvency II include the equalization provision of €40,349 thousand (December 31, 2022: €43,748 thousand).

Gross unearned premiums for direct insurance business are calculated pro rata for each individual policy on the basis of the premiums and lapses/cancellations posted, less the installment surcharges. The calculated unearned premiums are reduced by the income components intended to cover the acquisition costs. An individually determined proportion (international units of the Company) or a flat rate of 85.0 percent (Germany) of the commissions and other remuneration for agents is recognized as a non-transferable income component. The gross unearned premiums for inward reinsurance business are recognized in accordance with the requirements of the primary insurer. The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements.

The provision for outstanding claims is generally determined individually and measured according to specific requirements. 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) and an entity-specific discount rate of 0.25 percent (2022: 0.25 percent) by the Company's appointed actuary, taking the expenses required for settlement into account. General provisions are recognized for claims incurred but not reported and reopened claims on the basis of empirical values. The benefit reserves for annuities, which are recognized in accordance with actuarial principles, are not included in the calculation when determining the provision for claim settlement costs.

The provisions for outstanding claims are divided into provisions for direct insurance business and provisions for inward reinsurance business.

Technical provisions – by Solvency II line of business

Technical provisions under SII

	Best estimate	Risk margin	Best estimate	Risk margin
(€'000)	Dec. 31, 2023	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2022
Fire and other damage to property insurance	57,639	3,999	60,869	3,341
Income protection insurance	54,652	3,151	55,940	2,735
General liability insurance	52,217	1,158	45,585	1,040
Assistance	3,952	687	2,811	454
Legal expenses insurance	3,540	337	5,227	21
Health (similar to life)	31,185	326	29,612	340
Life insurance	1,910	18	5,662	86
Miscellaneous insurance	3,667	87	1,269	228
Total	**208,762**	**9,763**	**206,975**	**8,245**

Technical provisions – non-life (excluding health)

The individual components of the technical provisions under Solvency II are the best estimate and the risk margin.

For non-life insurance, the best estimate comprises the claims provision and the premiums provision, both of which include a provision for investment management expenses.

The claims provision is calculated for each homogeneous risk group of ARAG Allgemeine. It contains expected claim payments and claim settlement costs that are necessary for the settlement of claims already incurred. The claims reserve is valued using the standard actuarial reserving methods used in the market: the chain-ladder method, the additive method based on accident-year-independent growth of the claims ratio (AUSQZ), and the Bornhuetter-Ferguson method. Alternative reserving methods may be used in exceptional cases. The New York method is used to value the claim settlement provision. To take account of the higher level of inflation, an addition to the claims reserve was calculated for the associated rise in claims expenses. The amount of the addition was calculated for each individual risk segment and is based on internal and external information.

The premiums provision is made up of the provision for premiums written but not yet earned and the expected future profit or loss resulting from future payments under in-force policies. The provision for premiums written but not yet earned is recognized in the amount of the present values of the expected claim payments and costs (less commission) relating to the relevant policies. The expected profit or loss is determined for the outstanding premium income from in-force policies (installment payments and premiums from multi-year policies). The inflation-induced rise in claims expenses was also taken into account in the premiums provision.

The provision for investment management expenses is calculated as of the reporting date as the present value of the costs that will be incurred in the future for the management of investments in the amount of the remaining claims provision and premiums provision. This continues until such time as the insurance ends.

Pursuant to article 37 of the Delegated Regulation, the risk margin is calculated with the aid of an approximation method as described in article 58 of the Delegated Regulation and in the guidelines of the European Insurance and Occupational Pensions Authority (EIPOA) on the valuation of technical provisions.

Technical provisions – health (similar to non-life)

The technical provision – health (similar to non-life) includes liabilities under the accident class of insurance. The individual components of the provision and their calculation methodology are similar to those for non-life insurance.

Technical provisions – health (similar to life)

The accident annuities recognized as of the reporting date in the business of ARAG Allgemeine are reported under the health insurance provision. The individual components are the best estimate (including a provision for investment management expenses) and the risk margin. The best estimate is valued individually in accordance with the actuarial principles used in life insurance. The risk-free yield curve on the date of valuation is used for the purposes of discounting.

Technical provisions – life (excluding health and index-linked and unit-linked)

The annuities under the 'liability' and 'vehicle liability' classes of insurance recognized as of the reporting date in the business of ARAG Allgemeine are reported under life insurance provisions. The individual components are the best estimate (including a provision for investment management expenses) and the risk margin.

The best estimate is valued individually in accordance with the actuarial principles used in life insurance. The risk-free yield curve on the date of valuation is used for the purposes of discounting. The calculation methodology for the risk margin is similar to that for non-life insurance.

Other technical provisions

The other technical provisions[1] (miscellaneous technical provisions on the HGB balance sheet) primarily consist of the equalization provision (€40,349 thousand) and the lapse provision (€1,378 thousand). The equalization provision for direct insurance business and inward reinsurance business is recognized under HGB as additional actuarial reserves that can be used to offset fluctuations in the course of business. 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. These provisions are valued in accordance with the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

The lapse provision reported under miscellaneous technical provisions to cover the discontinuation or reduction of technical risk is recognized in the amount of the estimated requirement.

[1] In accordance with the Solvency II structure.

As the Solvency II balance sheet is a static overview, no items to smooth out future fluctuations in the course of business are recognized under other technical provisions (the equivalent line item). The expected losses resulting from insurance policies being ended early are included in the best estimate item under technical provisions – non-life. Accordingly, there is no requirement to explain the year-on-year change here.

Reinsurance recoverables

For regulatory purposes, the gross provisions are reported on the liabilities side of the balance sheet without deducting reinsurance recoverables. However, the reinsurers' share is reported as an asset on the other side of the balance sheet.

Retrospective and prospective markdowns are recognized to take into account the default risk on the part of reinsurers. In accordance with HGB, nominal amounts are recognized, these amounts being determined on the basis of the reinsurance treaties.

On the HGB balance sheet, technical provisions are recognized using a net approach in which the gross amount of the obligation is reduced by the portion covered by outward reinsurance. The difference between the Solvency II and HGB figures is attributable to this difference in the valuation methods.

On the Solvency II balance sheet, reinsurance recoverables are reported under assets (see chapter D.1 'Assets').

Reinsurance recoverables are very significant to ARAG Allgemeine. The reinsurers' share is determined in the partial internal model by applying the historical and current reinsurance treaties to the gross reserves.

Provisions assumptions

The claims provision recognized on the Solvency II balance sheet is a best estimate. It does not include any safety margins. The level of uncertainty in the provision estimate is quantified individually for each homogeneous risk group using a stochastic simulation as part of internal modeling.

The calculation of technical provisions is subject to some uncertainty because the actual level of claims incurred in the future may differ from current forecasts. The degree of uncertainty can be measured on the basis of the extent to which future cash flows can be predicted. Technical provisions are determined using a wide range of assumptions relating to future trends in claim payments and reported claims. Wherever possible, these assumptions are based on historical patterns or estimates drawn up by experts.

The level of uncertainty in relation to both the premiums provision and the claims provision is quantified individually for each homogeneous risk group. The assumptions made are regularly reviewed, particularly as part of the validation process, and the uncertainty inherent in the technical provisions can therefore be considered manageable from an overall perspective.

No transitional measures or volatility adjustments have been applied for calculating the technical provisions at ARAG Allgemeine.

D.3 Other Liabilities

Comparison of other liabilities on the HGB balance sheet and Solvency II balance sheet

Comparison of other liabilities on the HGB balance sheet and Solvency II balance sheet

(€'000)	Solvency II as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	Solvency II as of Dec. 31, 2022	SII change
Contingent liabilities	0	0	0	0	0
Provisions other than technical provisions	3,751	3,827	– 76	3,385	366
Pension benefit obligations	31,252	37,752	– 6,500	28,787	2,465
Deposits from reinsurers	0	0	0	0	0
Deferred tax liabilities	500	0	500	257	244
Derivatives	0	0	0	0	0
Debts owed to credit institutions	0	0	0	0	0
Financial liabilities other than debts owed to credit institutions	0	0	0	0	0
Insurance and intermediaries payables	11,900	11,900	0	7,011	4,889
Reinsurance payables	681	681	0	566	115
Payables (trade, not insurance)	17,416	17,416	0	9,310	8,106
Subordinated liabilities	0	0	0	0	0
Any other liabilities, not elsewhere shown	0	0	0	0	0
Total liabilities	**65,501**	**71,576**	**– 6,075**	**49,316**	**16,184**

Provisions other than technical provisions

These provisions are for payment obligations of uncertain timing or amount. If the liability is likely to be settled in more than twelve months, the provisions are discounted.

On the Solvency II balance sheet, provisions for long-service awards, early retirement obligations, and pre-retirement part-time employment obligations are valued using the projected unit credit (PUC) method in accordance with an IAS 19 curve. Unlike under HGB, the term structure used for discounting on the Solvency II balance sheet is determined on the basis of the yields achieved for senior industrial bonds on the balance sheet date. Expected growth in income (2.5 percent) and the Company's projections for staff turnover (1.5 percent) are taken into account. The amount calculated in this way equates to the economic value. The discount rate under HGB was 1.76 percent, whereas an IAS 19 curve was used for the economic value, which explains the valuation difference.

The provisions other than technical provisions are valued on the basis of the best estimate of the expected settlement amount. The residual maturity for all sundry other provisions is generally less than one year. On grounds of materiality, they are not discounted separately. Instead, the discounting applied for HGB accounting purposes is used. The economic values are therefore the same as the HGB carrying amounts.

Pension benefit obligations

Pension benefit obligations are net liabilities for the employee pension scheme, provided it is a direct pension entitlement scheme.

For the Solvency II balance sheet, pension benefit obligations are valued using the PUC method in accordance with an IAS 19 curve. Unlike under HGB, the term structure used for discounting on the Solvency II balance sheet is determined on the basis of the yields achieved for senior industrial bonds on the balance sheet date. Expected growth in income (2.5 percent), rising pension benefits (2.4 percent), and the Company's projections for staff turnover (1.5 percent) are taken into account. The amount calculated in this way equates to the economic value. The discount rate under HGB was 1.83 percent, whereas an IAS 19 curve was used for the economic value, which explains the valuation difference.

The year-on-year increase of €2,465 thousand in the Solvency II valuation was mainly attributable to changes in the level of interest rates in the IAS 19 curve used and the related changes in the discounting of pension benefit obligations.

Deferred tax liabilities

The reported deferred tax liability of €500 thousand relates to the ARAG Legal Protection Limited branch in the Republic of Ireland.

Further explanations of deferred taxes can be found in chapter D.1 'Assets'.

Insurance and intermediaries payables

All amounts due in connection with the insurance business to insurance companies, policyholders, and insurance intermediaries are reported under insurance and intermediaries payables[1].

ARAG Allgemeine's payables reported at their nominal amounts are thus valued at the amount at which they could be exchanged in an arm's-length transaction between knowledgeable, willing parties. In particular because of the short-term nature of the payables (due within twelve months) and the fact that counterparty default risk is taken into account (in the form of write-downs), these nominal amounts that are recognized serve as a suitable proxy for the economic value, as is the case under HGB. If the maturity period of the payable is longer (more than twelve months), the economic value is determined using the present value method.

Due to use of the nominal amount as the economic value, there are no valuation differences.

[1] Insurance payables for the most part refer to liabilities to policyholders and insurance companies.

Reinsurance payables

Reinsurance payables comprise all amounts due in connection with the reinsurance business, excluding deposits.

Reinsurance payables are recognized at their settlement value. As they have no active market and because of the short-term nature of these liabilities (due within twelve months), the nominal amount can be used as a proxy for the economic value.

Due to use of the nominal amount as the economic value, there are no valuation differences.

Payables (trade, not insurance)

All non-insurance-related liabilities are reported under payables (trade, not insurance). This includes obligations to employees, suppliers, and public bodies.

As is the case under HGB, the economic value of those of a short-term nature (maturing within twelve months) is based on the nominal amount. If the maturity period of the payable is longer (more than twelve months), the economic value is determined using the present value method.

The year-on-year increase of €8,106 thousand in the Solvency II valuation was primarily due to the increase in the Company's net income in 2023 and the related increase in the carrying amount of the liability to the parent company in connection with the profit transfer.

Due to use of the nominal amount as the economic value, there are no valuation differences.

Any other liabilities, not elsewhere shown

Included under this item are all liabilities that are not recorded in other balance sheet line items. They are generally current liabilities.

All non-interest-bearing liabilities are valued at their nominal amount. An economic value is taken as a proxy for those maturing within twelve months. For reasons of simplicity and materiality, liabilities to authorities are valued at their nominal amounts.

There are therefore no differences in their recognition and valuation on the HGB and Solvency II balance sheets.

Please refer to chapter A.4 'Performance of Other Activities' of this report for disclosures relating to leases.

D.4 Alternative Methods for Valuation

Alternative valuation methods are required if there are no active markets for assets, technical provisions, and other liabilities in which prices can be obtained. Active markets are essential for finding market prices. An active market is one in which homogeneous items are traded among willing buyers and sellers at publicly quoted prices.

If the criteria of an active market are not satisfied for the purposes of determining economic values using the mark-to-market approach (level 1) or the marking-to-market approach (level 2), alternative valuation methods are used (level 3).

Simplification techniques are applied under the alternative valuation methods. Article 9 (4) of the Delegated Regulation permits the use of proportionality, timing, and materiality as the central assessment criteria for use of a simplification.

The table below shows the main items aggregated according to the valuation hierarchy:

Main items according to the valuation hierarchy

(€'000)	**Level 1**	**Level 2**	**Level 3**
Holdings in related undertakings, including participations	0	0	103,932
Bonds	76,850	0	54,477
Collective investment undertakings	202,682	0	475
Reinsurance recoverables	0	0	24,477
Technical provisions – non-life (excluding health)	0	0	185,086
Technical provisions – life (excluding index-linked and unit-linked)	0	0	33,439
Pension benefit obligations	0	0	31,252
Total	**279,532**	**0**	**433,138**

In accordance with article 9 (4) of the Delegated Regulation, all the Company's other items are recognized – unless stated otherwise – at their economic value using the HGB valuation rules. To validate recognition of the relevant items at their nominal amount, ARAG Allgemeine uses an internal valuation hierarchy that is agreed with the external auditor and reviewed regularly.

No assumptions or judgments are made, including about the future or other major sources of uncertainty.

D.5 Any Other Information

Changes attributable to the other events described under 'Other events' in chapter A.1 potentially have consequences for ARAG Allgemeine's results of operations as well as its assets and liabilities. Material impacts, especially in relation to assets, are influenced by the capital market environment. Any changes that arise are reflected in the individual market values as of the reporting date. Depending on what changes, there could be a knock-on effect on the technical provisions. As of the reporting date, the trends in the capital markets in 2023 had had a material impact on the excess of assets over liabilities, primarily as a result of interest rates.

It is difficult to predict other particularly significant influencing factors for the valuation for solvency purposes, including the impact of the Russian Federation's war of aggression against Ukraine.

Chapters D.1 to D.4 inclusive contain all of the important information about the valuation for solvency purposes.

E. CAPITAL MANAGEMENT

E.1 Own Funds

Objectives, guidance, and procedures for managing own funds

In 2023, Solvency II balance sheets were prepared for the planning horizon on the basis of the budgeted results of operations.

Besides managing capital, capital management involves monitoring the solvency capital requirement and ensuring that ARAG Allgemeine has sufficient eligible own funds to cover the requirement. Capital management thus secures the Company's own funds base and identifies interdependencies between risk management and capital management in order to monitor, manage, and secure at all times the Company's capital requirements based on its risk exposure.

ARAG's internal capital management guidance sets out the necessary measures for managing capital resources, ensuring solvency coverage, and reducing potential risk in line with the allocation of capital. The ARAG escalation path plays a key part in strengthening own funds by identifying any shortfall at an early stage, examining suitable options, devising corrective measures for own funds, and submitting them to the decision-making bodies for consideration. A distinction is made between strengthening own funds (actual) and reducing the solvency capital requirement (target) through risk mitigation.

ARAG distinguishes between the internal – specified in business policy – minimum coverage ratio (see chapter B.3 'Risk Management System Including the Own Risk and Solvency Assessment') and the regulatory requirement. The coverage ratio must not fall below the internal minimum coverage ratio.

If, contrary to expectations, too great a fall in solvency coverage were to materialize, zthe Company would consider steps to increase own funds, such as an additional payment into the capital reserves, borrowing pursuant to section 89 (3) no. 2 of the German Insurance Supervision Act (VAG), or an increase in share capital, in addition to risk-mitigating procedures.

In 2023, the Company did not identify any need to strengthen components of basic own funds within its planning horizon. ARAG Allgemeine did not need to take any action in the reporting year.

Components and quality of own funds and other information regarding own funds

As of December 31, 2023, the Company held an excess of assets over liabilities of €220,897 thousand (December 31, 2022: €213,457 thousand) according to the Solvency II balance sheet. ARAG Allgemeine's minimum capital requirement (MCR) as of the reporting date was €36,496 thousand (December 31, 2022: €36,684 thousand) and the solvency capital requirement (SCR) was €122,244 thousand (December 31, 2022: €107,939 thousand).

All of the eligible own funds of €220,897 thousand to cover the solvency and minimum capital requirement (December 31, 2022: €213,457 thousand) are classified at the highest quality level for own funds (Tier 1). ARAG Allgemeine has no own funds at the other quality levels (Tier 2 and Tier 3).

The equity on the HGB balance sheet can be reconciled to eligible own funds as follows:

Reconciliation of the equity on the HGB balance sheet to eligible own funds

(€'000)	Dec. 31, 2023	Dec. 31, 2022
Equity as of December 31 on the HGB balance sheet	**55,323**	**55,323**
Revaluation of investments with recognition of deferred taxes	72,201	58,990
Revaluation of technical provisions with recognition of deferred taxes	74,312	83,369
Revaluation of pension benefit obligations with recognition of deferred taxes	9,781	10,554
Revaluation of HGB deferred taxes	– 1,862	– 2,108
Revaluation of miscellaneous items with recognition of deferred taxes	11,143	7,329
Excess of assets over liabilities according to the Solvency II balance sheet	**220,897**	**213,457**
Total own funds as of December 31 that are eligible to cover the solvency capital requirement	**220,897**	**213,457**

Explanations of how the economic values of the individual items are determined are provided in chapter D. 'Valuation for Solvency Purposes' of this report.

Impact of the other events on own funds

The extent to which the other events described under 'Other events' in chapter A.1 affected the excess of assets over liabilities proved to be material, particularly for assets. At the time this report was prepared, it was not possible to reliably estimate the long-term impact of the other events on own funds.

Information on deferred taxes

Taking into account applicable tax legislation and tax rates, deferred tax assets of €36,244 thousand and deferred tax liabilities of €47,887 thousand were recognized in the table 'Reconciliation of the equity on the HGB balance sheet to eligible own funds'.

Following analysis of the recoverability of deferred tax assets, a net deferred tax liability of €11,143 thousand was recognized at the level of the parent company. 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.

The analysis was based on the timing of the reversal effects, with the time until reversal of the deferred tax expense shorter than the time until reversal of the deferred tax benefit. The expense thus materializes earlier than the benefit.

Own funds reconciliation reserve

(€'000)	Total	Tier 1 own funds	Tier 2 own funds	Tier 3 own funds
Share capital	54,491	54,491	0	0
Share premium account related to ordinary share capital	0	0	0	0
Reconciliation reserve	166,406	166,406	0	0
Basic own funds	**220,897**	**220,897**	**0**	**0**
Ancillary own funds	0	0	0	0
Own funds as of December 31, 2023 that are eligible to cover the solvency capital requirement	**220,897**	**220,897**	**0**	**0**

The reconciliation reserve amounted to €166,406 thousand and consisted of HGB revenue reserves of €832 thousand and valuation differences of €165,575 thousand. As of December 31, 2023, the Company's eligible own funds were €7,440 thousand higher than they had been a year earlier. The main reason for this increase was that the assets, particularly investments (see chapter D.1 'Assets'), rose more sharply than the technical provisions and the liabilities.

All quantitative disclosures relate to the figures in the quantitative reporting forms set out in the Appendix.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

ARAG Allgemeine uses a partial internal model to calculate the solvency capital requirement. In this certified model, the modules for market risk, non-life underwriting risk, and counterparty default risk (where the risks are covered by the market risk module) are calculated using internal modeling. The other risk modules and the aggregation of the risk modules are based on the standardized approach.

The solvency capital requirement increased by 13.3 percent year on year, from €107,939 thousand to €122,244 thousand. Please refer to chapter C. 'Risk Profile' for further information on the changes in the individual risks. At 180.7 percent, the coverage ratio was higher than the regulatory requirement and, in ARAG Allgemeine's view, continued to constitute an adequate risk buffer, particularly for customers. As of the reporting date, the coverage ratio was 17.1 percentage points lower than the equivalent figure as of December 31, 2022 (197.8 percent).

Components of the solvency capital requirement

(€'000)	Dec. 31, 2023	Dec. 31, 2022
Market risk	87,100	81,215
Non-life underwriting risk	54,843	40,772
Counterparty default risk	4,064	4,213
Diversification	– 30,253	– 24,837
Basic solvency capital requirement	**115,754**	**101,363**
Operational risk	6,490	6,576
Loss-absorbing capacity of deferred taxes	0	0
Solvency capital requirement	**122,244**	**107,939**

To gauge the effect on the solvency situation of current developments, such as the tense geopolitical situation, ad hoc rough calculations of the solvency situation are performed in addition to the quarterly risk calculations.

Neither a simplified calculation of the SCR standard formula nor undertaking-specific parameters (USPs) are used in any of the modules.

The minimum capital requirement is calculated on the basis of the technical provisions (excluding the risk margin) and net premiums written in the past twelve months in each line of business; it must not fall below 25.0 percent and not exceed 45.0 percent of the solvency capital requirement. As of December 31, 2023, the minimum capital requirement was €36,496 thousand (December 31, 2022: €36,684 thousand), which equated to 29.9 percent of the solvency capital requirement at that time and resulted in a coverage ratio for the minimum capital requirement of 605.3 percent (December 31, 2022: 581.9 percent).

The final amount of the solvency capital requirement is still subject to verification by the supervisory authority. All quantitative disclosures relate to the figures in the quantitative reporting forms set out in the Appendix.

As explained in chapter D.1, no deferred taxes are recognized in respect of ARAG Allgemeine because of the tax group that it forms with ARAG SE. A risk-mitigating effect from deferred taxes was therefore not applied in the transition from the basic solvency capital requirement (BSCR) to the solvency capital requirement (SCR). Further information on deferred taxes can be found in chapters D.1, D.3, and E.1.

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

Using the duration-based equity risk sub-module in the calculation of the solvency capital requirement is not relevant to ARAG Allgemeine.

E.4 Differences Between the Standard Formula and Any Internal Model Used

The Group's business model is one of the main reasons why a partial internal model is used for ARAG Allgemeine. ARAG Allgemeine's specific risk profile cannot be accurately reflected using the standard formula.

ARAG Allgemeine's partial internal model is based on the following internally modeled modules: market risk, non-life underwriting risk, and counterparty default risk (where the risks are covered by the market risk module).

Among other things, the partial internal model enables the Company to model the underwriting risks appropriately and on an individual basis, thus ensuring the risks can be presented and managed adequately. Furthermore, the extensive reinsurance program is analyzed and modeled separately in the partial internal model of ARAG Allgemeine, as is appropriate to a far more reality-based approach to risk modeling.

The internal modeling of market risk enables the scope and structure of the investment portfolio to be analyzed more accurately. Furthermore, the use of an economic scenario generator enables capital market risks to be depicted much more precisely than with the scenario-based key figures used in the standardized approach. This is particularly the case for the non-linear maturity profiles that can be found with callable bonds, for example, or for the valuation of government bonds.

The non-life underwriting risk module and the market risk module (including the counterparty default risk arising in connection with securities as part of credit risk) are in each case modeled up to the top module level as a distribution.

Both for market risk and underwriting risk, the results of the internal modeling represent an important basis for corporate management.

Probability distribution forecast

The internal modeling of market risk focuses on analysis of the interest-rate, spread, equity, real-estate, and currency sub-risks. The concentration sub-risk is implicitly analyzed in the spread module, but is not classified as material. However, changes in this sub-risk are regularly reviewed as part of the validation process. The analysis is carried out according to various criteria, such as asset class, currency area, maturity, and credit quality level. The underlying stochastic models used are generally accepted in financial mathematics. A critical factor in the calculation of risk is the calibration of the underlying risk factors and their dependencies. The calibration is carried out for each calculation reference date using the latest market data. Separate indices are calibrated on the basis of current risk calculations for relevant strategic equity investments in insurance companies within the ARAG Group.

Non-life underwriting risk comprises the following components: reserve risk, premium risk, which also includes catastrophe risk (consisting of the modules for natural disasters and major/mass claims caused by people), and lapse risk. The main difference compared to the structure of the standard formula is that catastrophe risk is modeled as part of premium risk. This provides the full risk perspective and income perspective for the modeled homogeneous groups (segments).

The casualty segment as well as liability, accident, and motor insurance annuities, in which risk arises in connection with premiums, reserves, longevity, and costs, are also classified under non-life underwriting risk in their entirety and quantified using the partial internal model.

A critical factor in the calculation of risk is the calibration of the underlying risk factors and their correlations. Copula methods are the approach used to aggregate the distributions into an overall risk distribution for underwriting. The dependencies applied for this purpose are determined internally, supplemented with assessments drawn up by experts.

In the market risk and non-life underwriting risk modules, stochastic simulations are used to project the Company's own funds one year ahead without taking any tax effects into account. For the market risk and non-life underwriting risk modules, the solvency capital requirement is then based on the 99.5 percent quantile of the relevant loss distribution. A going-concern approach is assumed when determining underwriting risk. This means, in particular, that the forecast new business for the coming twelve months is included.

ARAG Allgemeine's underwriting portfolio is broken down into various segments according to management and risk considerations. This segmentation enables management-relevant information to be determined from the partial internal model and used for the management of the Company on a value-driven basis. The principle whereby homogeneous risk groups are modeled is also applied in this segmentation.

The individual market risk, non-life underwriting risk, and counterparty default risk modules are aggregated into the BSCR using a correlation approach. The overall solvency capital requirement is determined by adding the solvency capital requirement for operational risk calculated in accordance with the standard formula and by applying the risk-mitigating effect from deferred taxes. No capital add-ons are recognized.

Main differences between the internal model and the standard formula for each risk module

The differences between the internal model and the standard formula are explained below for each non-life underwriting risk sub-module.

Comparison between the market risk sub-modules in the internal model and the standard formula

Sub-module	Standard formula	Internal model
Interest rate	For each currency area, the risk-free interest-rate term structure is shifted upward and downward with maturity-dependent shocks, although negative interest rates are not shifted downward in the stress test.	A distribution for the underlying interest rate calibrated using current market data and for the resulting interest-rate term structures is simulated for each currency area and each maturity. Turns and bulges in the risk-free interest-rate term structure are observed in addition to shifts.
Spread	The market values of investments sensitive to spread risk are reduced by a factor dependent on asset class, credit quality level, and duration.	In the internal model, firstly, a distribution for the underlying spread calibrated using current market data is simulated for each investment class, credit quality level, and maturity. Secondly, a change in the risk classification and payment defaults are simulated for each issuer. In addition to corporate bonds, other items taken into account in this case (in contrast to the standardized approach) include cash exposures and government bonds.
Equities	A factor is used to stress the market values of all equity investments. A distinction is made between the following sub-modules: equity type 1 (including listed equities and strategic equity investments from an OECD or EEA country), equity type 2 (including equities from other countries, commodities, strategic equity investments), qualifying equity investments in infrastructure, and qualifying equity investments in infrastructure companies. The solvency capital requirements determined for these sub-modules are aggregated as the equity solvency capital requirement using a correlation approach.	A distribution of equity performance calibrated using current market data is simulated for Germany and Europe. A similar distribution for private equity investments and comparable asset classes is also simulated. Separate distributions of performance are calibrated and simulated for significant strategic equity investments.
Real estate	The market values of all real estate investments are reduced by a particular factor.	A distribution of real estate performance calibrated using current market data is simulated for Germany and Europe.
Currency	The market values of all assets and liabilities denominated in foreign currency are increased/decreased by a particular factor. This gives rise to a currency increase risk and a currency decrease risk for each currency area, reported as the corresponding loss of own funds.	A distribution for the change in the foreign currency/euro exchange rate calibrated using current market data is simulated for each materially relevant currency area.
Concentration	An additional risk capital requirement is calculated using a factor approach for exposures that exceed a specified percentage of the total portfolio.	Risk concentrations in bonds and cash exposures are taken into account in the spread module via the default distributions simulated for each issuer. There is no explicit calculation of concentration risk in the internal model.

The differences between the internal model and the standard formula are explained below for each counterparty default risk sub-module.

Comparison between the counterparty default risk sub-modules in the internal model and the standard formula

Risk module	Standard formula	Internal model
Default	Cash exposures and various receivables exposures are subjected to a shock using a factor approach.	Defaults relating to cash exposures are simulated in the market risk module on a stochastic basis. The default risk on receivables (reinsurance and other receivables) is valued in accordance with the standardized approach.

The differences between the internal model and the standard formula are explained below for each non-life underwriting risk sub-module.

Comparison between the non-life underwriting risk sub-modules in the internal model and the standard formula

Sub-module	Standard formula	Internal model
Premium and reserve risk	A factor-based approach is used in the standard formula. The standard volatility factors (market average) for each line of business are applied to the relevant volume measure (reserve or premiums). Specified correlation parameters are used in a linear correlation approach. Regional diversification is taken into account.	In the partial internal model, casualty and property insurance and legal insurance are broken down into groups of risks sharing similar characteristics and these risk groups form the ARAG segments. The risk calculation is based on company-specific data and internal calibration. Reinsurance is more precisely reflected in the model, especially in relation to major losses. In addition, there is diversification across segments and countries. The aggregation method follows a copula approach. Well-established actuarial methods are used.
Lapse risk	Lapse risk is quantified using a factor approach.	A lapse distribution is modeled, with calibration based on company-specific data.
Large claims caused by people	Predefined scenarios in the standard formula.	This module is part of premium risk. A committee of experts specifies company-specific scenarios that are used to calibrate the risk model.
Legal insurance accumulation risk	Not taken into account in the standard formula.	Accumulation events represent a heightened risk in the legal insurance business. ARAG therefore models these losses with its own data using a distribution of the number and of the amount of claims.
Natural disaster risk	Predefined scenarios in the standard formula.	Natural disaster risk is part of premium risk and quantified with special geophysical models. The company-specific portfolio is used for this purpose.
Longevity and cost risk	Longevity and cost risk are quantified using predefined stress scenarios.	Cost and longevity distribution is modeled, with calibration in the same way as in the standard formula.

Outward reinsurance plays a key role for the Company. The Company operates a comprehensive reinsurance program with third-party reinsurers to protect itself from major risks and accumulation risk. Therefore, a key requirement for the calculation of capital adequacy in the partial internal model is that the risk structure from reinsurance treaties should be modeled as precisely as possible. Reinsurance affects both premium risk and reserve risk and is thus factored into the modeling on an individual contract basis for both types of risk.

Diversification

Diversification effects are highlighted by aggregating the risk distributions for the individual sub-risks into the total risk capital requirement. The diversification effect between the modules for underwriting risk, market risk, and default risk amounted to €30,253 thousand. Diversification effects arise if the risks to be aggregated are independent or only partially dependent on each other. Key diversification factors include, for example:

- Classes of insurance or segments: accident and liability risks
- Sub-modules: natural disaster risks and risks caused by people

To value the diversification effects within ARAG Allgemeine's partial internal model, the dependencies between the risk sub-modules and risk categories are quantified. The Company uses its own historical data to measure the dependencies. The parameters that are calculated are reviewed annually by a committee of experts to check that they remain plausible. The correlations from the standard formula are used to aggregate the individual risk modules for the purpose of producing the BSCR (integration of the partial model into the standard formula).

Appropriateness of data

ARAG Allgemeine's partial internal model uses a variety of data sources as inputs for calibration and parameterization purposes. The basis is provided by the Company's own data. By using internal historical data for the calibration, it is possible to ensure that the risk profile is modeled accurately and an adequate forecast is generated.

The quality of the data used in the partial internal model's calculations is regularly reviewed. To this end, data quality standards have been laid down in a data quality management policy. The objective of the standards is to safeguard the quality and appropriateness of the necessary data over the long term. ARAG examines data quality from the following perspectives:

- Accuracy: Data must be error-free, consistent, and trustworthy.
- Completeness: Data must be up to date and provide the necessary level of detail and granularity.
- Appropriateness: Data must reflect current reality, be relevant to the business, and be fit for the intended purpose.

E.5 Non-Compliance with the Minimum Capital Requirement and Non-Compliance with the Solvency Capital Requirement

The solvency capital requirement and minimum capital requirement were complied with at all times in the reporting period.

E.6 Any Other Information

The preceding chapters contain all of the important information about capital management.

APPENDIX

S.02.01.02

Balance sheet

Assets		**Solvency II value**
(€'000)		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	14
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	438,503
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	103,932
Equities	**R0100**	0
Equities – listed	**R0110**	0
Equities – unlisted	**R0120**	0
Bonds	**R0130**	131,327
Government bonds	**R0140**	33,934
Corporate bonds	**R0150**	97,394
Structured notes	**R0160**	0
Collateralized securities	**R0170**	0
Collective investment undertakings	**R0180**	203,157
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	87
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	22,477
Non-life and health similar to non-life	**R0280**	22,477
Non-life excluding health	**R0290**	21,155
Health similar to non-life	**R0300**	1,323
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	12,883
Reinsurance receivables	**R0370**	411
Receivables (trade, not insurance)	**R0380**	10,259
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	20,174
Any other assets, not elsewhere shown	**R0420**	202
Total assets	**R0500**	**504,923**

S.02.01.02

Balance sheet

Liabilities		Solvency II value
(€'000)		C0010
Technical provisions – non-life	R0510	185,086
Technical provisions – non-life (excluding health)	R0520	127,283
Technical provisions calculated as a whole	R0530	0
Best estimate	R0540	121,015
Risk margin	R0550	6,268
Technical provisions – health (similar to non-life)	R0560	57,803
Technical provisions calculated as a whole	R0570	0
Best estimate	R0580	54,652
Risk margin	R0590	3,151
Technical provisions – life (excluding index-linked and unit-linked)	R0600	33,439
Technical provisions – health (similar to life)	R0610	31,511
Technical provisions calculated as a whole	R0620	0
Best estimate	R0630	31,185
Risk margin	R0640	326
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	1,928
Technical provisions calculated as a whole	R0660	0
Best estimate	R0670	1,910
Risk margin	R0680	18
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	3,751
Pension benefit obligations	R0760	31,252
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	500
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance and intermediaries payables	R0820	11,900
Reinsurance payables	R0830	681
Payables (trade, not insurance)	R0840	17,416
Subordinated liabilities	R0850	0
Subordinated liabilities not in basic own funds	R0860	0
Subordinated liabilities in basic own funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	**284,026**
Excess of assets over liabilities	R1000	**220,897**

S.04.05.21

Premiums, claims and expenses by country

Home country: Non-life insurance and reinsurance obligations

Country	R0010			
				Top 5 countries: Non-life
		Home country	GB	IE
(€'000)		C0010	C0020	C0020
Premiums written (gross)				
Gross written premium (direct)	R0020	172,968	3,048	6,099
Gross written premium (proportional reinsurance)	R0021	29,465	0	2,258
Gross written premium (non-proportional reinsurance)	R0022	0	0	0
Premiums earned (gross)				
Gross earned premium (direct)	R0030	171,959	6,609	6,109
Gross earned premium (proportional reinsurance)	R0031	29,225	0	2,192
Gross earned premium (non-proportional reinsurance)	R0032	0	0	0
Claims incurred (gross)				
Claims incurred (direct)	R0040	64,281	3,800	500
Claims incurred (proportional reinsurance)	R0041	13,502	0	1,127
Claims incurred (non-proportional reinsurance)	R0042	0	0	0
Expenses incurred (gross)				
Gross expenses incurred (direct)	R0050	98,851	1,508	4,344
Gross expenses incurred (proportional reinsurance)	R0051	15,223	0	1,387
Gross expenses incurred (non-proportional reinsurance)	R0052	0	0	0

Home country: Life insurance and reinsurance obligations

Country	R1010	
		Home country
(€'000)		C0030
Gross written premium	R1020	0
Gross earned premium	R1030	0
Claims incurred	R1040	0
Gross expenses incurred	R1050	0

S.05.01.02

Premiums, claims and expenses by line of business

		Line of business for: Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
(€'000)		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Premiums written								
Gross – direct business	**R0110**	0	47,348	0	658	257	0	70,720
Gross – proportional reinsurance accepted	**R0120**	0	4,268	0	0	0	0	22,650
Gross – non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	0	2,509	0	658	257	0	3,923
Net	**R0200**	0	49,107	0	0	0	0	89,447
Premiums earned								
Gross – direct business	**R0210**	0	47,398	0	658	257	0	73,745
Gross – proportional reinsurance accepted	**R0220**	0	4,283	0	0	0	0	22,399
Gross – non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	0	2,509	0	658	257	0	3,923
Net	**R0300**	0	49,172	0	0	0	0	92,221
Claims incurred								
Gross – direct business	**R0310**	0	14,722	0	– 1,145	377	0	36,175
Gross – proportional reinsurance accepted	**R0320**	0	2,199	0	0	0	0	10,225
Gross – non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	0	1,592	0	412	393	0	– 864
Net	**R0400**	0	15,329	0	– 1,557	– 16	0	47,264
Expenses incurred	**R0550**	**0**	**30,309**	**0**	**82**	**59**	**0**	**52,931**
Balance – other technical expenses/income	**R1210**							
Total expenses	**R1300**							

	Line of business for: Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Line of business for: Accepted non-proportional reinsurance				Total
	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	46,714	0	6,099	7,579	2,741					182,115
	2,547	0	2,258	0	0					31,723
						0	0	0	0	0
	2,236	0	240	0	26	0	0	0	0	9,849
	47,024	0	8,117	7,579	2,715	0	0	0	0	203,990
	46,698	0	6,109	7,107	2,706					184,677
	2,543	0	2,192	0	0					31,417
						0	0	0	0	0
	2,236	0	243	0	26	0	0	0	0	9,852
	47,005	0	8,057	7,107	2,680	0	0	0	0	206,242
	13,666	0	500	3,724	562					68,582
	1,078	0	1,127	0	0					14,629
						0	0	0	0	0
	1,087	0	248	0	0	0	0	0	0	2,869
	13,657	0	1,380	3,724	562	0	0	0	0	80,343
	23,300	**0**	**5,737**	**6,126**	**1,710**	**0**	**0**	**0**	**0**	**120,254**
										915
										121,169

S.05.01.02

Premiums, claims and expenses by line of business

		Line of business for: Life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
(€'000)		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	**R1410**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1420**	0	0	0	0	0	0	0	0	0
Net	**R1500**	0	0	0	0	0	0	0	0	0
Premiums earned										
Gross	**R1510**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1520**	0	0	0	0	0	0	0	0	0
Net	**R1600**	0	0	0	0	0	0	0	0	0
Claims incurred										
Gross	**R1610**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1620**	0	0	0	0	0	0	0	0	0
Net	**R1700**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance – other technical expenses/income	**R2500**									**0**
Total expenses	**R2600**									**0**
Total amount of surrenders	**R2700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

S.12.01.02

Life and health SLT technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance		
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees
(€'000)		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	R0010	0	0			0		
Total recoverables from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	0	0			0		
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Gross best estimate	R0030	0		0	0		0	0
Total recoverables from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	R0080	0		0	0		0	0
Best estimate minus recoverables from reinsurance/SPV and finite re	R0090	0		0	0		0	0
Risk margin	R0100	0	0			0		
Technical provisions – total	R0200	0	0			0		

Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance	Total (life other than health insurance, incl. unit-linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees			
C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
0	0	0	0			0	0	0
0	0	0	0			0	0	0
1,869	41	1,910		0	0	29,827	1,358	31,185
0	0	0		0	0	0	0	0
1,869	41	1,910		0	0	29,827	1,358	31,185
18	0	18	0			313	13	326
1,887	41	1,928	0			30,140	1,371	31,511

S.17.01.02

Technical provisions – non-life

		Direct business and accepted proportional reinsurance						
		Medical expense insurance	**Income protection insurance**	**Workers' compensation insurance**	**Motor vehicle liability insurance**	**Other motor insurance**	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**
(€'000)		**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0
Total recoverables from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	**R0060**	0	16,223	0	– 1	7	0	5,600
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	**R0140**	0	– 513	0	– 3	4	0	– 169
Net best estimate of premium provisions	**R0150**	**0**	**16,737**	**0**	**2**	**3**	**0**	**5,769**
Claims provisions								
Gross	**R0160**	0	38,429	0	6,318	81	0	52,040
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	**R0240**	0	1,836	0	1,513	81	0	5,181
Net best estimate of claims provisions	**R0250**	**0**	**36,593**	**0**	**4,805**	**0**	**0**	**46,859**
Total best estimate – gross	**R0260**	**0**	**54,652**	**0**	**6,316**	**88**	**0**	**57,640**
Total best estimate – net	**R0270**	**0**	**53,329**	**0**	**4,807**	**3**	**0**	**52,627**
Risk margin	**R0280**	**0**	**3,151**	**0**	**83**	**4**	**0**	**3,999**
Technical provisions – total								
Technical provisions – total	**R0320**	0	57,803	0	6,399	92	0	61,638
Recoverable from reinsurance contract/SPV and finite re after the adjustment for expected losses due to counterparty default – total	**R0330**	0	1,323	0	1,510	85	0	5,012
Technical provisions minus recoverables from reinsurance/SPV and finite re – total	**R0340**	0	56,480	0	4,889	7	0	56,626

Direct business and accepted proportional reinsurance					Accepted non-proportional reinsurance				Total non-life obligation
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0090	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
8,811	0	955	3,340	– 3,504	0	0	0	0	31,430
1,911	0	0	0	0	0	0	0	0	1,229
6,901	**0**	**955**	**3,340**	**– 3,504**	**0**	**0**	**0**	**0**	**30,201**
43,406	0	2,585	612	767	0	0	0	0	144,238
12,637	0	0	0	0	0	0	0	0	21,248
30,769	**0**	**2,585**	**612**	**767**	**0**	**0**	**0**	**0**	**122,990**
52,217	**0**	**3,540**	**3,952**	**– 2,737**	**0**	**0**	**0**	**0**	**175,667**
37,669	**0**	**3,540**	**3,952**	**– 2,737**	**0**	**0**	**0**	**0**	**153,190**
1,158	**0**	**337**	**688**	**0**	**0**	**0**	**0**	**0**	**9,419**
53,374	0	3,876	4,640	– 2,737	0	0	0	0	185,086
14,548	0	0	0	0	0	0	0	0	22,477
38,827	0	3,876	4,640	– 2,737	0	0	0	0	162,609

S.19.01.21

Non-life insurance claims

Accident year/Underwriting year	**Z0020**	**1: Accident year**

Gross claims paid (non-cumulative) – development year (absolute amount). Total non-life business

Year		Development year											In current year	Sum of years (cumulative)
		0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		
(€'000)		**C0010**	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0170**	**C0180**
Prior	**R0100**											711	711	711
N-9	**R0160**	32,601	19,209	5,407	3,451	817	401	446	779	867	481		481	64,458
N-8	**R0170**	31,809	17,780	5,858	3,571	1,214	544	231	141	395			395	61,542
N-7	**R0180**	31,061	19,876	6,244	3,146	909	661	219	264				264	62,380
N-6	**R0190**	30,977	23,437	6,822	3,671	1,357	565	548					548	67,377
N-5	**R0200**	35,383	20,490	7,215	4,487	1,379	1,003						1,003	69,957
N-4	**R0210**	30,124	23,779	6,781	4,575	1,463							1,463	66,722
N-3	**R0220**	29,964	19,381	6,961	4,014								4,014	60,319
N-2	**R0230**	37,561	31,458	9,605									9,605	78,624
N-1	**R0240**	35,079	26,002										26,002	61,081
N	**R0250**	37,666											37,666	37,666
Total	**R0260**												**82,151**	**630,838**

Gross discounted best estimate claims provisions – current year, sum of years (cumulative). Total non-life business

Year		Development year											Year end (discounted data)
		0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	
(€'000)		**C0200**	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**	**C0360**
Prior	**R0100**											16,639	15,330
N-9	**R0160**	0	0	0	0	0	0	2,723	4,038	2,898	1,847		1,700
N-8	**R0170**	0	0	0	0	0	2,669	2,111	1,981	2,110			1,955
N-7	**R0180**	0	0	0	0	2,774	2,610	2,349	1,735				1,598
N-6	**R0190**	0	0	0	7,688	7,488	8,039	7,392					6,784
N-5	**R0200**	0	0	10,535	7,781	7,221	5,173						4,859
N-4	**R0210**	0	21,716	17,293	10,890	8,108							7,528
N-3	**R0220**	52,135	23,185	13,593	7,060								6,542
N-2	**R0230**	67,471	28,895	15,261									14,188
N-1	**R0240**	60,983	26,254										24,340
N	**R0250**	63,368											59,413
Total	**R0260**												**144,238**

S.23.01.01

Own funds

(€'000)		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sectors as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	54,491	54,491		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	166,407	166,407			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	**220,897**	**220,897**	**0**	**0**	**0**

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(€'000)		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	**0**			**0**	**0**
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	220,897	220,897	0	0	0
Total available own funds to meet the MCR	**R0510**	220,897	220,897	0	0	
Total eligible own funds to meet the SCR	**R0540**	220,897	220,897	0	0	0
Total eligible own funds to meet the MCR	**R0550**	220,897	220,897	0	0	
SCR	**R0580**	**122,244**				
MCR	**R0600**	**36,496**				
Ratio of eligible own funds to SCR	**R0620**	**1.81**				
Ratio of eligible own funds to MCR	**R0640**	**6.05**				

(€'000)		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	220,897
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	0
Other basic own fund items	**R0730**	54,491
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0
Reconciliation reserve	**R0760**	**166,407**
Expected profits		
Expected profits included in future premiums (EPIFP) – life business	**R0770**	0
Expected profits included in future premiums (EPIFP) – non-life business	**R0780**	– 5,317
Total expected profits included in future premiums (EPIFP)	**R0790**	**– 5,317**

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Solvency capital requirement – for undertakings using an internal model (partial or full)

Solvency capital requirement information

(€'000)		Solvency capital requirement C0010	Amount modeled C0070	USP C0090	Simplifications C0120
Risk type					
Total diversification	**R0020**	– 30,253	0		
Total diversified risk before tax	**R0030**	122,244	0		
Total diversified risk after tax	**R0040**	122,244	0		
Total market & credit risk	**R0070**	118,397	118,397		0
Market & credit risk – diversified	**R0080**	87,100	87,100		
Credit event risk not covered in market & credit risk	**R0190**	4,064	0		
Credit event risk not covered in market & credit risk – diversified	**R0200**	4,064	0		
Total business risk	**R0270**	0	0		0
Total business risk – diversified	**R0280**	0	0		
Total net non-life underwriting risk	**R0310**	79,064	79,064		0
Total net non-life underwriting risk – diversified	**R0320**	54,843	54,843		
Total life & health underwriting risk	**R0400**	0	0		0
Total life & health underwriting risk – diversified	**R0410**	0	0		
Total operational risk	**R0480**	6,490	0		0
Total operational risk – diversified	**R0490**	6,490	0		
Other risk	**R0500**	0	0		0

Calculation of solvency capital requirement

(€'000)		**C0100**
Total undiversified components	**R0110**	152,497
Diversification	**R0060**	– 30,253
Adjustment due to RFF/MAP nSCR aggregation	**R0120**	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	**122,244**
Capital add-ons already set	**R0210**	0
Capital add-ons already set – article 37 (1) type a	**R0211**	0
Capital add-ons already set – article 37 (1) type b	**R0212**	0
Capital add-ons already set – article 37 (1) type c	**R0213**	0
Capital add-ons already set – article 37 (1) type d	**R0214**	0
Solvency capital requirement	**R0220**	**122,244**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	0
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	**R0310**	0
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of notional solvency capital requirements for remaining part	**R0410**	0
Total amount of notional solvency capital requirements for ring fenced funds	**R0420**	0
Total amount of notional solvency capital requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	**R0450**	4: No adjustment
Net future discretionary benefits	**R0460**	0

S.25.02.21.04

Approach to tax rate

		Yes/No
(€'000)		C0109
Approach based on average tax rate	R0590	1: Yes

S.25.02.21.05

Calculation of loss-absorbing capacity of deferred taxes

		LAC DT
(€'000)		C0130
Amount/estimate of LAC DT	R0640	**0**
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	0
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	0
Amount/estimate of LAC DT justified by carry back, current year	R0670	0
Amount/estimate of LAC DT justified by carry back, future years	R0680	0
Amount/estimate of maximum LAC DT	R0690	**– 500**

S.28.01.01

Minimum capital requirement – only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
(€'000)		C0010
MCR_{NL} result	R0010	35,801

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
(€'000)		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	53,329	49,107
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	4,807	0
Other motor insurance and proportional reinsurance	R0060	3	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	52,627	89,403
General liability insurance and proportional reinsurance	R0090	37,669	37,015
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	3,540	8,357
Assistance and proportional reinsurance	R0120	3,952	7,613
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	12,434
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		MCR components
(€'000)		C0040
MCR_L result	R0200	695

Total capital at risk for all life (re)insurance obligations

(€'000)		Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/SPV) total capital at risk C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	33,095	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

(€'000)		C0070
Linear MCR	R0300	36,496
SCR	R0310	122,244
MCR cap	R0320	55,010
MCR floor	R0330	30,561
Combined MCR	R0340	36,496
Absolute floor of the MCR	R0350	4,000
Minimum capital requirement	**R0400**	**36,496**

FURTHER INFORMATION

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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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