2023

2023 SOLVENCY AND FINANCIAL CONDITION REPORT FOR THE GROUP

ARAG HOLDING SE

ARAG Group

Asset and investment management	**ARAG Holding SE**

Operating management company	**ARAG SE**					
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 Holding SE and ARAG SE

Company	**ARAG Holding SE**		
Members of the Management Board and areas of responsibility	CEO/Equity Investments/ Group Audit/Legal/Compliance Dr. Dr. h. c. Paul-Otto Faßbender	Risk Management/ Brand and Communications Klaus Heiermann	Data Security/Finance/ Accounting and Tax Dr. Sven Wolf

Company	**ARAG SE**					
Members of the Management Board and areas of responsibility	Speaker of the Management Board and Central Group Functions Dr. Renko Dirksen	Group Sales, Products and Innovation Dr. Matthias Maslaton	Group Finance Wolfgang Mathmann	Group Human Resources/ Group Internal Audit Dr. Shiva Meyer	Group IT and Operations Hanno Petersen	Group Risk Management and Group Controlling Dr. Joerg Schwarze

CONTENTS

SUMMARY

Chapter A. Business and Performance

ARAG Holding SE (also referred to as the ARAG Group or the Company) is the ultimate parent company of the ARAG Group. It is Germany's largest family-owned insurance group and the leading legal insurer worldwide. ARAG Holding SE's operational management is the responsibility of its subsidiary ARAG SE, which focuses on state-of-the-art legal insurance products aimed at both private and small business customers.

In 2023, gross premiums written went up by 7.9 percent to €2,373,772 thousand in the ARAG Group (2022: €2,199,392 thousand). The growth was driven by the improvement in the Group's share of the German legal insurance market and, as a result of stepping up collaboration with primary insurers and organizations (e.g. employers, associations, labor unions), the international legal insurance market. In health insurance, another particular growth driver besides supplementary health insurance business was full-coverage insurance business.

Under the German Commercial Code (HGB), the underwriting result – after taking into account the costs of health insurance and the gains and losses on investments associated with health insurance – fell from €157,760 thousand to €137,632 thousand in the reporting year.

Gains and losses on investments improved by €69,479 thousand to a net gain of €121,490 thousand (2022: €52,011 thousand). Despite challenging conditions, the Group again generated very sound net income for the year of €86,179 thousand (2022: €43,536 thousand).

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.

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 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 Group handles outsourcing.

The statements in chapter B confirm that the ARAG Group 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 main risks influencing the ARAG Group's risk profile are market risk and underwriting risk. The solvency capital requirement (SCR) relating to market risk was €763,810 thousand (December 31, 2022: €669,917 thousand).

The primary sub-risks in this regard were equity risk and credit risk. Underwriting risk comprises non-life underwriting risk and health underwriting risk. Overall non-life underwriting risk was measured with a solvency capital requirement of €166,544 thousand (December 31, 2022: €141,612 thousand). The relevant non-life underwriting sub-risks were accumulation risk and reserve risk. The solvency capital requirement for health underwriting risk was €195,431 thousand (December 31, 2022: €136,699 thousand). A material component of this is the risk from health insurance that is operated on an actuarial basis similar to that of life insurance. The biggest sub-risks here were lapse risk and disability-morbidity risk.

Chapter D. Valuation for Solvency Purposes

Solvency II lays down requirements, which differ from German (HGB) financial reporting standards, 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.

The ARAG Group 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 the ARAG Group was €638,890 thousand (December 31, 2022: €554,574 thousand). To cover this requirement, the Group had eligible own funds of €1,990,234 thousand (December 31, 2022: €1,750,258 thousand), giving a coverage ratio of 311.5 percent (December 31, 2022: 315.6 percent). The ARAG Group thus has a high level of capital adequacy.

Rough calculations that are performed on an ad hoc basis also consistently showed a comfortable level of coverage.

The minimum capital requirement was €291,165 thousand (December 31, 2022: €270,043 thousand), which means that the coverage ratio for the minimum capital requirement was 683.5 percent (December 31, 2022: 648.1 percent). The ARAG Group uses a partial internal model to determine the solvency capital requirement at Group level. Chapter E.4 provides an overview of the material differences between the partial internal model and the standard formula.

The ARAG Group 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 the ARAG Group after December 31, 2023. The ARAG Group 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 the ARAG Group'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
The parent company of the ARAG Group is ARAG Holding SE. It is headquartered in Düsseldorf and constituted with the legal form of a European Company (Societas Europaea, SE). Its contact details are:

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40472 Düsseldorf, Germany

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Graurheindorfer Strasse 108
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Independent auditor
The contact details of the appointed auditor are:

KPMG AG Wirtschaftsprüfungsgesellschaft, headquartered in Berlin
KPMG Cologne branch
Barbarossaplatz 1a
50674 Cologne, Germany

Tel: +49 (0)221 2073 00
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Email: information@kpmg.de
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Structure of the ARAG Group 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.

The ARAG Group operates in a total of 19 countries (Germany, other European countries, the United States, Canada, and Australia) through branches, subsidiaries, and equity investments.

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

The main affiliated companies of the ARAG Group, which are located in Germany, other European countries, and North America, are as follows. The ARAG Group also has further branches in Europe, which are listed in the Appendix.

List of the main affiliated companies in the ARAG Group

	Name and location of registered office	Legal form	Type of business	Country	Direct share	Group's share
1	ARAG SE, Düsseldorf	SE (European company)	Insurer	Germany	50.0%	100.0%
2	AFI Verwaltungs-Gesellschaft mbH, Düsseldorf	GmbH (private limited company)	Holding company	Germany	100.0%	100.0%
3	ARAG 2000 Grundstücksgesellschaft eGbR, Düsseldorf	eGbR (registered partnership under the German Civil Code)	Real estate management	Germany	0.0%	94.9%
4	ARAG Allgemeine Versicherungs-AG, Düsseldorf	AG (stock corporation)	Insurer	Germany	0.0%	100.0%
5	ARAG Insurance Company, Inc., Des Moines	Corporation	Insurer	USA	0.0%	100.0%
6	ARAG International Holding GmbH, Düsseldorf	GmbH	Holding company	Germany	0.0%	100.0%
7	ARAG IT GmbH, Düsseldorf	GmbH	IT	Germany	0.0%	100.0%
8	ARAG Krankenversicherungs-AG, Munich	AG	Insurer	Germany	0.0%	94.0%
9	ARAG Legal Solutions Inc., Toronto	Corporation	Service provider	Canada	0.0%	100.0%
10	ARAG North America Inc., Des Moines	Corporation	Holding company	USA	0.0%	100.0%
11	ARAG plc, Bristol	plc (public limited company)	Service provider	United Kingdom	0.0%	100.0%
12	ARAG Service Center GmbH, Düsseldorf	GmbH	Service provider	Germany	0.0%	100.0%
13	Cura Versicherungsvermittlung GmbH, Düsseldorf	GmbH	Service provider	Germany	0.0%	100.0%
14	HELP Forsikring AS, Oslo	AS (private limited liability company)	Insurer	Norway	0.0%	100.0%
15	Interlloyd Versicherungs-AG, Düsseldorf	AG	Insurer	Germany	0.0%	100.0%
16	ALIN 1 GmbH & Co. KG, Düsseldorf	GmbH & Co. KG (limited partnership with a GmbH as general partner)	Asset manager	Germany	0.0%	100.0%
17	ALIN 2 GmbH & Co. KG, Düsseldorf	GmbH & Co. KG	Asset manager	Germany	0.0%	100.0%
18	ALIN 4 GmbH & Co. KG, Düsseldorf	GmbH & Co. KG	Asset manager	Germany	0.0%	94.0%

Description of the main affiliated companies

1. 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.

2. AFI Verwaltungs-Gesellschaft mbH manages 50.0 percent of the shares in ARAG SE. This management remit is limited to exercising its rights and fulfilling its obligations as a shareholder in the equity investment.

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

4. ARAG Allgemeine Versicherungs-AG operates the Group's casualty and property insurance business in Germany and, through a branch in the United Kingdom and a branch in the Republic of Ireland, the legal insurance and casualty and property insurance business. The UK branch closed on December 31, 2023. It is necessary to operate the casualty and property insurance business in a separate company because, in Germany, legal insurance claims have to be settled separately (section 164 of the German Insurance Supervision Act [VAG]).

5. ARAG Insurance Company Inc., United States, operates legal insurance business, mainly through employers and trade associations. Insurance is provided to their employees and members, although coverage varies from state to state depending on the local regulatory rules. ARAG Insurance Company Inc. is part of the subgroup in the United States, which comprises four companies and is managed by ARAG North America Inc.

6. ARAG International Holding GmbH is an intermediate holding company connecting selected strategic subsidiaries outside Germany (in the United States and the Republic of Ireland) to the ARAG Group in Germany. It is purely a financial holding company and limits itself to exercising its rights and fulfilling its obligations as a parent company.

7. ARAG IT GmbH, which is located at the Düsseldorf site, primarily carries out data center activities and IT services for the ARAG Group.

8. ARAG Krankenversicherungs-AG operates the private health insurance business. The need to separate the different segments (section 8 (4) VAG) means that a separate company has to operate the health insurance business. ARAG Krankenversicherungs-AG has established itself in its market as a provider of high-quality full-coverage and supplementary private health insurance.

9. ARAG Legal Solutions Inc., Canada, formerly known as DAS Legal Protection Inc., was established in 2010 and is one of the leading managing general agents in Canada specialized in legal insurance. Its product portfolio encompasses legal insurance products for families, landlords, home owners, and small businesses in Canada.

10. ARAG North America Inc., United States, is the country-specific holding company for the ARAG Group's US business lines. It holds all of the shares in the three US operating subsidiaries.

11. ARAG plc, United Kingdom, works as an intermediary by brokering business with end customers and passing it on to primary insurers within and outside the ARAG Group. The bulk of claims settlement for the primary insurers is handled by ARAG plc itself.

12. 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.

13. Cura Versicherungsvermittlung GmbH brokers insurance business to third parties that the ARAG Group does not underwrite itself. The company also takes care of the insurance requirements of the ARAG Group's own employees.

14. HELP Forsikring AS, Norway, primarily offers family legal insurance coverage for interest groups – predominantly members of labor unions and associations – in Norway, Sweden, and Denmark via local branches. In Norway, it also offers a special legal insurance product for homebuyers.

15. 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.

16. ALIN 1 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.

17. 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.

18. ALIN 4 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.

Dividends/profit-and-loss transfer agreements

ARAG SE received an amount of €12,158 thousand from ARAG Allgemeine Versicherungs-AG for 2023 (2022: €4,941 thousand) on the basis of a profit-and-loss transfer agreement. A profit-and-loss transfer agreement is in place between ARAG Allgemeine Versicherungs-AG and Interlloyd, which in the year under review resulted in Interlloyd's entire profit of €3,958 thousand (2022: €521 thousand) being transferred to ARAG Allgemeine.

In 2023, ARAG Holding SE and AFI Verwaltungs-Gesellschaft mbH entered into a profit-and-loss transfer agreement. A sum of €10,575 thousand was transferred for 2023 in the first profit transfer.

The Management Board of ARAG Holding SE is proposing to the Annual General Meeting that a dividend of €10,000 thousand be distributed to shareholders from the net retained profit for 2023.

ARAG 2000 Grundstücksgesellschaft eGbR distributed a profit share of €202 thousand.

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 the ARAG Group

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 are significant intragroup transactions with ARAG IT GmbH, which is responsible for performing consultancy/software development services and data center services.

Significant events and transactions are listed below.

Intragroup profit and loss transfers

The ARAG Group has a multi-layer structure. As a result, the parent companies at the different levels receive the profit or loss from their subsidiaries. This takes the form of a dividend distribution (transfer of profit or loss from a previous period), transfer of profit or loss on the basis of contracts pursuant to section 291 of the German Stock Corporation Act (AktG), or transfer of profit or loss from the same period. The inclusion of Group companies at all levels of the Group results in the profit and loss earned being recognized more than once. They are therefore consolidated in order to obtain an accurate picture of the Group's net assets, financial position, and results of operations. In 2023, this consolidation led to a total of €82,372 thousand (2022: €121,122 thousand) being eliminated from income from equity investments.

Adjustments to the carrying amounts of equity investments in Group companies

Changes to the economic environment, inaccurate estimates of business opportunities, and unusual circumstances may lead to a lasting change in the value of the parent company's equity investments. Under HGB financial reporting standards, the carrying amounts of equity investments have to be adjusted to reflect their fair value in such cases. If the values have increased, the carrying amounts must not be increased to more than the historical cost. If the affected entities are included in the consolidated financial statements, these adjustments have to be eliminated because the factors influencing the carrying amounts of the equity investments will have already influenced the Group's business performance.

Intragroup reinsurance arrangements

The Group companies have entered into reinsurance agreements with each other on arm's-length terms. This helps to share out the risks among the Group companies. In 2023, an amount of €29,189 thousand (2022: €28,403 thousand) was eliminated for intragroup insurance premiums, €14,415 thousand (2022: €12,635 thousand) for claims incurred, and €13,970 thousand (2022: €13,381 thousand) for reinsurance commission in connection with these reinsurance treaties. This measure is necessary so that only the insurance premiums, expenses for claims incurred, and insurance business operating expenses resulting from agreements with third parties are recognized in the consolidated financial statements.

Intragroup services

During the reporting year, services amounting to €110,654 thousand were performed within the ARAG Group for the brokering of third-party business and for administrative services between the insurance companies (2022: €101,124 thousand). The sales revenue from such services was offset against the expenses of the companies performing the services. The ARAG Group has also set up separate companies that specialize in carrying out special tasks. These include IT companies that are responsible for operating the central data center, developing bespoke software, and advising on the necessary hardware and software. There are also companies that provide a 24-hour customer hotline, manage the Group's investments, or broker insurance between customers and the Group's insurance companies. In the reporting year, sales revenue from such services between Group companies was offset against the expenses of the companies performing the services in an amount of €51,454 thousand (2022: €50,213 thousand).

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 is the largest family-owned insurance group in the German insurance industry and the leading legal insurer worldwide. ARAG was established more than 85 years ago exclusively as a legal insurance company, but has now positioned itself as an international insurer of considerable renown offering innovative, high-quality insurance products with a focus on legal and health insurance.

The Company aims to generate growth across all insurance segments in Germany and to exploit the potential for expansion in the international legal insurance business.

ARAG now operates in a total of 19 countries (Germany, other European countries, the United States, Canada, and Australia) through branches, subsidiaries, and equity investments.

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

In Germany, ARAG SE's activities are limited to just one class of insurance: legal insurance. In Italy, Spain, and Portugal, it also operates legal-insurance-related special service package business in addition to legal insurance business.

As well as in the aforementioned international branches, legal insurance is also provided in the United States, Norway, Sweden, and Denmark. In each case, the business is operated through legally independent affiliated companies, under the unified management of ARAG SE in its role as parent company.

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, aiming to provide 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 Germany and, for some classes of insurance, the United Kingdom and the Republic of Ireland.

Interlloyd Versicherungs-AG (Interlloyd), a subsidiary of ARAG Allgemeine, specializes in brokering services in the commercial and private customer segments, adding a further dimension to the Group's portfolio. Germany and Spain are the countries that make up the territory covered by Interlloyd.

ARAG Krankenversicherungs-AG (ARAG Health) is a provider of private health insurance products. This line of business has come even more to the fore in recent years thanks to the introduction of new full-coverage products and it made a significant contribution to premium growth in 2023. The supplementary health insurance business also remains a key driver of growth. The company only operates its direct health insurance business in Germany.

Insurance portfolio
At the end of the reporting year, the Group had 12,271,242 in-force insurance policies (December 31, 2022: 11,931,107), of which 4,021,632 related to the business in Germany (December 31, 2022: 3,885,132).

International business accounted for 8,249,610 policies (December 31, 2022: 8,045,975). The rise was mainly due to the sharp recovery of the travel insurance business in Spain and the conclusion of several new multi-year policies in Scandinavia.

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 high quality of its offerings is reflected in the many awards and seals of approval that it regularly receives from independent organizations. In its core legal insurance segment, ARAG has played a major role in shaping the German market through innovative products and services for more than 85 years, offering protection, support, and legal guidance to its customers.

ARAG SE received numerous awards for its various products in Germany in the reporting year, including the products launched in 2022. Among these were the Aktiv legal insurance product with immediate assistance, which was introduced in February 2022, and the fully redesigned legal insurance cover for managers. The legal insurance rate scales for private and commercial customers also won a number of accolades.

The Company revamped the ARAG legal insurance for small business customers in 2023, updating the rate scales and integrating new, enhanced benefits. The product is due to be launched in 2024.

Another digital upgrade campaign was run for existing ARAG legal insurance customers in 2023. Selected customers received personal quotes to upgrade their current legal insurance policies in line with the current rate scale. The policy upgrade process is simple and fully digital, including a landing page leading to compact quote pages and rate scale comparisons. Policy upgrades are processed and certificates of insurance issued automatically; the downstream process is also digital and automated.

ARAG Health continues to enhance its full-coverage health insurance business line and has paired its top-selling MedExtra and MedBest products with needs-based and flexible rate scales with outstanding benefits in its insurance cover for civil servants. Supplementing civil servants' statutory insurance, the ARAG BeihilfeBest, BeihilfeKlinik, BeihilfeEinbett, and BeihilfeErgänzungBest products offer high-quality cover in outpatient, dental, and inpatient healthcare and have been extremely well received by the market. The outstanding nature of the benefits included with the new products was also recognized by Levelnine, a comparison and analysis software firm, which awarded them the top rating of 'excellent'.

The supplementary health insurance segment also saw renewed growth in the reporting year but, as in 2022, its growth in gross premiums of 4.0 percent was unable to match the very good level of growth achieved by the full-coverage health insurance segment.

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 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.

Interlloyd Versicherungs-AG is an innovative provider of high-quality insurance and continually expands its range of products and services, focused on the constantly changing requirements and needs of customers and consumers.

An example from the reporting year is the insurance product launched for renewable energy technology in October 2023. It offers virtually full cost cover for all modern equipment used to produce renewable energy. Loss or damage as a result of fire, water, and natural disasters is insured, as are simple theft, technical faults such as short circuits or power surges, operating errors, vandalism, and intentional acts by third parties.

Another innovation in the reporting year was the revamping of the Interlloyd residential buildings insurance product, which is due to be launched in summer 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.

In July 2023, ARAG SE announced that it would be acquiring DAS UK from ERGO Versicherung AG. ARAG completed the acquisition at the start of 2024. ARAG SE's business in the United Kingdom is managed by a new Executive Management Committee (EMC). For now, the new units will continue to operate under the names DAS UK Holdings Ltd. and DAS Legal Expenses Insurance Company Ltd. The UK companies will be switched over to the ARAG brand in stages.

There were also several changes regarding responsibilities within the ARAG Group in 2023.

The Supervisory Board of ARAG SE appointed Dr. Shiva Meyer to ARAG SE's Management Board with effect from April 2, 2023. She took over the remit of Dr. Werenfried Wendler, whose term of appointment ended as planned on April 1, 2023.

The Supervisory Board of ARAG Health appointed Dr. Felicitas Hoppe and Dr. Jan Moritz Freyland to ARAG Health's Management Board with effect from April 2, 2023. Dr. Shiva Meyer stepped down from ARAG Health's Management Board on April 1, 2023.

The Supervisory Boards of ARAG Allgemeine and Interlloyd appointed Katrin Unterberg to the Management Board of both companies 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 the ARAG Group. 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', the ARAG Group maintained its strong business performance of recent years in 2023 despite the prevailing uncertainty of the economic situation.

The ARAG Group is expecting to achieve a similarly healthy profit after taxes for 2024.

A.2 Underwriting Performance

Underwriting performance – overview

In the year under review, the ARAG Group generated income from gross premiums written of €2,373,772 thousand (2022: €2,199,392 thousand). This increase was partly thanks to consistently high demand for legal insurance and full-coverage health insurance in the German market. International business also contributed a 4.3 percent rise from direct business through all sales channels and a 11.7 percent rise in inward reinsurance business from primary insurers outside the Group that was brokered by subsidiaries of ARAG SE in other countries. In the casualty and property insurance segment, the German market was not very buoyant in 2023, which impacted on business performance. Increases in premiums were ultimately only achieved through index and premium adjustments. Business ceded to third parties amounted to €15,239 thousand across all insurance segments and source regions (2022: €13,135 thousand).

Claims incurred (gross) rose from €1,100,118 thousand to €1,208,561 thousand. The claim settlement costs included in this figure amounted to €226,780 thousand (2022: €226,272 thousand). A share of the claims amounting to €16,448 thousand (2022: €21,968 thousand) was ceded to reinsurers in 2023.

Expenses for claims incurred rose overall due to the increase in the volume of legal insurance business and the strengthening of reserves in the Dutch business. Inflation outside Germany also pushed up legal costs. Another factor for the rise in expenses for claims incurred was the high level of growth in the full-coverage health insurance portfolio. There were no major storm events in Germany in 2023. Nevertheless, claims incurred in the casualty and property insurance business rose overall as a result of inflation. The general accident insurance and general liability insurance segments saw a further rise in the number of claims year on year, which were back at their pre-pandemic level. However, the expense for major claims continued to decline.

Insurance business operating expenses (gross) went up year on year, from €792,888 thousand to €857,536 thousand. The acquisition costs included in this figure amounted to €325,601 thousand (2022: €273,983 thousand). This increase was essentially attributable to the Group's continual growth and the related rise in commission, particularly in health insurance. Administrative expenses (gross) went up by 2.5 percent to €531,935 thousand (2022: €518,905 thousand). The main factor in this increase was the Group's investment in its workforce and processes in order to support its strong growth.

Miscellaneous underwriting income and expenses amounted to net income of €17,221 thousand (2022: net income of €16,192 thousand).

The underwriting result in accordance with HGB net of reinsurance in 2023 amounted to €137,632 thousand (2022: €157,760 thousand). Based on the quantitative reporting (see template S.05.01.02 in the Appendix), the underwriting result for the reporting period stood at €293,880 thousand (2022: €292,661 thousand).

The following table shows this underwriting result with a reconciliation to the underwriting result in accordance with the German Commercial Code (HGB), as published in the ARAG Group's 2023 Annual Report:

Underwriting result (net[1])

(€'000)	2023	2022
Premiums earned	2,352,907	2,170,399
Claims incurred (excluding claim settlement costs)	978,632	863,657
Expenses incurred	1,097,616	1,030,274
Miscellaneous underwriting income and expenses[2]	17,221	16,193
Underwriting result in accordance with template S.05.01.02	**293,880**	**292,661**
Technical interest income	128	134
Premiums from the gross provision for bonuses and rebates	20,014	4,511
Changes in other technical provisions[2]	– 182,689	– 145,857
Gains and losses on investments assigned to the underwriting account	73,595	60,630
Expenses for performance-based and non-performance-based bonuses and rebates	54,596	34,722
Underwriting result in accordance with HGB[3]	**150,332**	**177,356**
Change in the equalization provision and similar provisions	– 12,699	– 19,596
Underwriting result in accordance with HGB	**137,633**	**157,760**

[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 €182,689 thousand (2022: expense of €145,857 thousand).

In the reporting year, technical interest income was almost unchanged year on year at €128 thousand (2022: €134 thousand). This was because the discount rate used to calculate the benefit reserve for annuities was unchanged in 2023.

Gains and losses on investments assigned to the underwriting account improved by €12,965 thousand to a net gain of €73,595 thousand (2022: €60,630 thousand). The main reasons for this are described in chapter A.3 'Investment Performance'.

Expenses for performance-based and non-performance-based bonuses and rebates relate exclusively to health insurance. These expenses rose by €19,874 thousand to €54,596 thousand (2022: €34,722 thousand), of which €54,489 thousand was attributable to performance-based bonuses (2022: €34,707 thousand) and €107 thousand to non-performance-based bonuses (2022: €15 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
Legal expenses insurance	1,406,173	1,321,936	550,360	471,006
Health insurance	631,946	540,846	297,173	267,654
Casualty and property insurance	314,788	307,617	131,099	124,997
Total	**2,352,907**	**2,170,399**	**978,632**	**863,657**

[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	1,409,574	1,272,527	687,453	615,524
Netherlands	194,332	187,495	31,499	20,621
Spain	176,543	162,546	70,135	65,968
Italy	164,334	165,825	28,754	25,202
USA	184,178	172,053	82,195	65,716
Austria	89,943	83,537	23,728	20,867
Other areas	134,003	126,416	54,869	49,758
Total	**2,352,907**	**2,170,399**	**978,633**	**863,656**

[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 in the ARAG Group improved from a net gain of €52,011 thousand to a net gain of €121,490 thousand in the reporting year, a rise of €69,479 thousand. The main factors in this change were a year-on-year increase in income from investment fund shares/units and higher extraordinary income, of which the lion's share of €73,935 thousand related to gains on disposals from the restructuring of institutional funds (2022: €30,264 thousand).

The total income from investments was €213,253 thousand (2022: €150,690 thousand). Of this total, €124,135 thousand was attributable to current income (2022: €117,969 thousand). The Group generated extraordinary income of €89,118 thousand in 2023 (2022: €32,721 thousand), which was predominantly driven by gains on disposal of €73,935 thousand (2022: €30,264 thousand).

Total expenses from investments came to €91,763 thousand (2022: €98,679 thousand). Current expenses, including technical interest, amounted to €17,534 thousand (2022: €17,927 thousand). Extraordinary expenses fell to €68,545 thousand (2022: €75,056 thousand). Write-downs of €25,138 thousand, which were lower than in the prior year due to a return to more favorable interest rates, were the main reason for this decrease (2022: €61,352 thousand). The decrease was partly offset by higher losses on disposals of €49,091 thousand (2022: €19,399 thousand).

The net gains[1] on investments of €121,490 thousand described above equated to a net yield[2] on investments of 2.1 percent (2022: 1.0 percent). The current average yield[3] on investments was 1.8 percent (2022: 1.7 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 Group's gains and losses on investments in accordance with HGB[1] by individual asset class:

Gains and losses on investments in the ARAG Group

	Change in gains and losses							
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
(€'000)							2023	2022
Property, plant & equipment held for own use	13,492	0	0	0	5,693	1,563	6,236	11,040
Property (other than for own use)	5,510	3,872	0	297	1,730	2,639	5,310	3,163
Holdings in related undertakings, including participations	8,809	459	0	31	1,287	30	7,982	8,123
Equities – listed	269	3,917	417	207	161	0	3,815	1,027
Equities – unlisted	58	7	0	0	1	0	64	49
Government bonds	26,580	805	19,552	1,594	205	0	9,222	17,092
Corporate bonds	39,702	526	16,660	7,254	6,521	0	24,301	30,893
Structured notes	651	267	14	0	0	0	904	1,100
Collateralized securities	1,026	0	0	0	0	0	1,026	572
Collective investment undertakings	21,651	64,082	12,449	5,800	9,540	1,682	67,862	– 10,647
Derivatives	0	0	0	0	0	0	0	0
Deposits other than cash equivalents	6,155	0	0	0	0	0	6,155	43
Other investments	14	0	0	0	0	0	14	32
Deposits to cedants	218	0	0	0	0	0	218	192
Cash and cash equivalents	0	0	0	0	0	0	0	0
Current expense (unallocated)/loss transfers	0	0	0	0	0	11,619	– 11,619	– 10,668
Total	**124,135**	**73,935**	**49,091**	**15,183**	**25,138**	**17,533**	**121,490**	**52,011**

[1] The total of the gains and losses on investments presented in the table equates to the gains and losses on investments published in the ARAG Group'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, the ARAG Group held asset-backed securities and mortgage-backed securities with a value of €32,767 thousand as of the reporting date (December 31, 2022: €21,507 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 down from €32,432 thousand in 2022 to €29,492 thousand in the reporting year. This was mainly the result of lower sundry income (down by €5,919 thousand). The decline was offset, in particular, by income from subletting (up by €2,264 thousand) and higher interest income (up by €1,833 thousand).

Other expenses came to €93,693 thousand in 2023, compared with €97,325 thousand in 2022. This was mainly due to a fall in costs from central departments (down by €1,851 thousand) and in sundry other expenses (down by €1,746 thousand).

Other net income/expense improved from a net expense of €64,892 thousand to a net expense of €64,201 thousand.

Tax income/expense

Largely as a result of earnings and investments, the tax expense amounted to €50,288 thousand in 2023 (2022: €53,752 thousand).

Information on leases

A distinction is made between finance leases and operating leases. The ARAG Group 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 and cellphones used by the employees of ARAG SE, ARAG Health, and ARAG Allgemeine. As lessee, the Group 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

The ARAG Group 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 Management Board and Supervisory Board of ARAG Holding SE, which is the Group's ultimate parent company, 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 the ARAG Group 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 Holding SE had three members. The responsibilities were allocated as follows:

- Dr. Dr. h. c. Paul-Otto Faßbender: CEO/Equity Investments/Group Audit/Legal/Compliance
- Klaus Heiermann: Risk Management/Brand and Communications
- Dr. Sven Wolf: Data Security/Finance/Accounting and Tax/HR

Currently, neither the ARAG Group nor ARAG SE, the operating management company, has 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 ARAG Group, its business organization, and its legal structure mean that, at the moment, the organization itself is 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.

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:

- Gerd Peskes (Chairman)
- Professor Dr. Tobias Bürgers (Deputy Chairman)
- Professor Emeritus Dr. Brigitte Grass

Key functions

The establishment of controls in the Company lies at the heart of the system of governance. In the Group, 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. These key functions are carried out by the central departments of the same name at ARAG SE. Where key functions have been outsourced, an outsourcing officer has been appointed for each one at Management Board level. 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 relevant ARAG Group Management Board member with relevant responsibility and to the ARAG SE Management Board member with relevant responsibility, 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 outsourced to the Group Risk Management Central Department at ARAG SE and are carried out by this department. 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 outsourced to the Group Legal/Compliance Central Department at ARAG SE and are carried out by this department. 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 outsourced to the Group Internal Audit Central Department at ARAG SE and are carried out by this department. Group Internal Audit 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

The remuneration of the Group's governing bodies and employees is based initially on the governing law applicable to the relevant entity in the Group.

Furthermore, a core aspect of the Group's system of governance is that the remuneration of the members of the governing bodies – and that of everyone else working in any of the entities in the Group – adheres to 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. Moreover, those responsible for remuneration in the Company have to monitor remuneration levels in the relevant market and make any necessary changes, 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 remuneration structures are designed to be only as complex as necessary and as simple as possible.

Sustainability is ensured by adequately aligning the remuneration structure with the individual Group company's business strategy and risk profile.

As a company that takes the long view, the ARAG Group 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 the ARAG Group 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.

No share plans or share option programs for members of governing bodies or for employees are offered anywhere in the ARAG Group. This applies to all entities in the Group and is therefore not repeated below.

Group insurance companies headquartered in Germany (including any branches in the European Economic Area [EEA]) and ARAG Holding SE

The remuneration of **Management Board members** comprises a fixed basic salary and a variable element. The remuneration satisfies the regulatory requirements. In particular, the basic salary is set at a level that ensures the Management Board members 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.

If variable remuneration has been agreed, the variable element is equivalent to a percentage of the basic salary. No share plans or share option programs are offered anywhere in the 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 a maximum of 60.0 percent of basic salary and is subdivided into short-term and long-term components. In the case of insurance companies and the ARAG Group, the long-term component currently equates to 60.0 percent of the relevant variable remuneration and is deferred; it also 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 of ARAG SE simultaneously hold Management Board or senior management positions in subsidiaries of ARAG SE, they do not receive any additional remuneration for these activities. 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.

Unless **employees** of insurance companies in the Group are granted variable remuneration components under a pay agreement or other collective agreement on a non-discretionary basis, employees only receive such variable remuneration 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 Group 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, function, and country.

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 aim is to avoid, as far as possible, any conflicts of interest that could arise between the individual tasks assigned to an employee and their remuneration structure. Suitable measures are also put in place to prevent such risks materializing.

With the exception of ARAG Health, whose compliance function is carried out internally, all Group insurance companies headquartered in Germany, together with the ARAG Group, have outsourced the key functions applicable to them under statutory requirements to the operating management company ARAG SE, where the functions are carried out by the persons with relevant internal responsibility at ARAG SE level.

Care is taken to ensure that the targets relevant to the variable remuneration granted to these individuals with internal responsibility are designed such that the variable remuneration is independent of the performance of the operating units and divisions that are supervised by the function holder concerned. Variable remuneration granted to individuals responsible internally for key functions ranges from 25.0 percent to 35.0 percent of their basic salary, depending on the postholder concerned. As part of the Company's obligation to work toward compliance, deferred payment of 40.0 percent of their variable remuneration was agreed for all postholders with one exception. To date, no arrangement has been made with this remaining postholder for a partial deferral of payments.

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. If a person fulfills multiple roles, i.e. carries out activities for ARAG SE and for its subsidiaries in Germany and other countries, a retirement pension entitlement is provided solely under the primary employment contract.

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.

Supervisory Board members do not receive any supplementary pensions.

Persons responsible internally for **key functions** receive an occupational retirement pension, the amount and extent of which is determined by the management level of the person concerned as well as by the statutory requirements and standard market practice where the job is located. If a supplementary pension has been agreed, this is calculated as a percentage of pensionable salary, which equates to the basic salary (excluding bonuses, remuneration in kind, etc.). No early retirement arrangements have been made.

Group service companies headquartered in Germany
The **members of the senior management** of Group service companies (such as ARAG IT GmbH, ARAG Service Center GmbH) are predominantly individuals who receive remuneration from an ARAG insurance company for their activities as a Management Board member or manager. In such cases, the persons concerned receive no additional remuneration other than the remuneration under their principal employment contract. Senior management members who do not carry out multiple roles receive remuneration equating to that for the first management level at insurance companies located in Germany.

Employees are granted variable remuneration only when they reach certain management levels. This remuneration is structured in the same way as that granted to eligible employees in insurance companies.

Group companies outside Germany
The primary principle applied for the **members of the senior management** of Group companies outside Germany is that their remuneration must comply with local applicable law and be consistent with standard market practice where the job is located. To ensure that the requirements for appropriateness, transparency, and focus on sustainability are also satisfied at Group level, the structure of variable remuneration is modeled on that used for Management Board members at insurance companies based in Germany in that the fixed remuneration must be appropriate and set at a level such that the recipient is not substantially dependent on the variable remuneration components. As in the case of other companies described above, the parameters for variable remuneration also include objective company targets specified in advance and aligned with the risk profile for the company concerned, individual targets, and targets for the Group as a whole. The potential level of target achievement is capped at predefined limits.

Administrative board members who are also Management Board members or managers at a Group insurance company in Germany either do not receive any additional remuneration for the administrative board activities or their remuneration for the administrative board activities is offset against the salary for their primary activity. The same also applies to administrative board members who are simultaneously a member of the senior management of the company concerned or are employed at another Group company. Administrative board members who do not fall within one of the categories described above just receive basic remuneration, which is specified in advance.

The remuneration paid to **employees** of Group companies outside Germany is based both on the requirements for appropriate, transparent, and sustainable remuneration systems and on the local statutory requirements applicable to the Group entity concerned (for example, existing collective pay agreements, requirements of local supervisory authorities, etc.).

Supplementary retirement pensions for **senior managers** and (where applicable) **persons responsible for key functions** at Group entities are based on the relevant national law and standard practice in the market concerned. No early retirement arrangements have been made.

Material transactions

Information on intragroup transactions and 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.

General principles applicable to all Group entities
In all entities of the ARAG Group, employees must have the skills, knowledge, and expertise that they need to be able to carry out the tasks assigned to them properly. It is the job of each individual Management Board to ensure this in an appropriate manner, taking account of the pertinent governing law. In addition, the members of management and supervisory bodies must always have the necessary professional suitability (fit) and be of good repute (proper).

Professional suitability is measured on the basis of criteria such as the field of business of the individual entity, the individual market, and the applicable laws. It must always be assessed by the bodies that are responsible under company law.

Group insurance companies headquartered in Germany (including any branches in the EEA) and ARAG Holding SE
This section first describes the requirements and procedures for Management Board members, Supervisory Board members, and individuals responsible for key functions at insurance companies headquartered in Germany (including their branches in the EEA) and at ARAG Holding SE.

Management Board members and CEOs of branches in the EEA
To ensure they are fit for the role in terms of their professional suitability, members of the Management Board 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.

The information above applies analogously to the CEOs of any EEA branches of the companies. Their knowledge must relate primarily to the particular branch for which they are responsible. They also need to know about the domestic market in which their branch operates.

A standard benchmark is used to assess whether Management Board members and CEOs of EEA branches are personally suitable for their role.

The Company's Management Board assesses whether Branch CEOs meet the 'fit and proper' requirements. In other respects, the information pertaining to Management Board members applies analogously.

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/Branch CEOs applies analogously.

Key functions

The people responsible for key functions must have extensive knowledge and many years of experience of working in their particular field. All individuals in such roles must also be familiar with the legal parameters relevant to their position, the Company's organization and system of governance, and ARAG's business model. In addition, the people in key functions must have very good knowledge of the relevant operating processes, business systems, and the insurance industry.

The minimum initial requirements in terms of specialist expertise for any appointment to a role with internal responsibility for a key function are described below:

- Risk management: Actuarial or business management skills and qualifications and/or comparable academic qualifications are required. In particular, persons appointed to such roles are expected to have in-depth knowledge of relevant risk parameters, risk types, and valuation methods applicable to insurance business. Knowledge of all regulatory requirements pertaining to risk management is absolutely essential.
- Actuarial function: An individual responsible for this key function must have very well-honed actuarial and financial mathematics expertise together with a good level of business management knowledge. This expertise is normally acquired through a university degree in mathematics or through comparable training. The person concerned must also be a member of the German Association of Actuaries (DAV), be able to provide evidence of equivalent professional status, or be prepared to combine work with study to obtain DAV membership or equivalent professional status.
- Compliance: The postholder must have a university degree in law or business management as well as specialist compliance expertise evidenced by professional development documentation or previous employment in this area of activity. They must continually keep abreast of statutory requirements and be able to demonstrate expertise, in particular, in the following areas: regulation, company law, and capital markets law, as well as competition and antitrust legislation.
- Internal audit: To ensure they are fit for the role in terms of professional suitability, the person responsible for this key function must hold a university degree in economics or business administration, or have undergone equivalent training, and must be able to demonstrate professional experience built up over a number of years. They must also have knowledge of the insurance industry, financial reporting, and business organization. In-depth know-how relating to auditing standards, auditing methodology, and audit-related software is a further prerequisite.

In all cases, people responsible for key functions must have a sufficient level of management experience for these positions. Because of the overlapping nature of many areas of the business, it is important that they have not only extensive knowledge of the work carried out in their own central department but also adequate knowledge of other departments with which they come into contact. It is essential that they are willing to undertake continuing professional development.

Job applicants must submit a detailed CV so that their career history and relevant previous experience can be examined. For both internal and external candidates, recruitment is based on a structured assessment process in which internal and external auditors assess their specialist and interdisciplinary qualifications in an assessment center. Each candidate's professional suitability is assessed individually, taking all the circumstances into consideration. The Management Board of the individual company is responsible for assessing whether people in key functions meet the 'fit and proper' requirements.

If outsourcing officers are appointed, the same fundamental requirements apply. However, the critical factors here are the requirements profile and, particularly in the case of internal candidates, relevant prior experience.

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

It is the responsibility of those holding the remit for the relevant key function to assess the professional suitability of the employees working in the function or of candidates for relevant positions on the basis of suitable documentation or the day-to-day work carried out by the employee and to ensure that employees undertake regular professional development so that they always have the expertise they need to carry out their tasks. It is also the responsibility of employees themselves to keep up to date with the latest information. Professional development activities are documented.

With regard to the assessment of whether the people responsible for key functions and the employees working in these functions are of good repute, the same standard applies.

If key functions are outsourced, outsourcing officers must be 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.

Companies headquartered outside Germany and operating in regulated fields of business

The rule for insurance companies headquartered outside Germany (HELP Forsikring AS and ARAG Insurance Company Inc.), insurance holding companies headquartered outside Germany (ARAG North America Inc. and ARAG Scandinavia AS), and other companies that operate in regulated fields and are headquartered outside Germany (ARAG plc in the United Kingdom, ARAG Legal Solutions Inc. in Canada, ARAG Services Pty. Ltd. in Australia, and ARAG Legal Protection Ltd in the Republic of Ireland) is that their supervisory and management bodies must include members of the Management Board or other senior managers of ARAG SE, the operating management company, in order to secure the system of governance at Group level.

The group of people to whom the 'fit and proper' requirements apply is based on the pertinent country-specific rules and, besides members of supervisory and governing bodies, may also include other people/roles. For European insurance companies outside Germany, this means, for example, that the requirements always apply to people in key functions. Affected companies have to issue their own 'fit and proper' guidance if required by the pertinent governing law. The content of this guidance has to be aligned with the rules specified at Group level. The requirements regarding professional suitability are governed in full by the pertinent applicable law and, in particular, by the stipulations of the responsible supervisory authorities.

With regard to the assessment of whether members of management and supervisory bodies are of good repute, the groupwide standard applies in that there must not be any legitimate doubts about their good repute. This means, for example, that they must not have any relevant criminal convictions, and appropriate evidence that this is the case must be provided. The bodies that are responsible under company law are responsible for checking people's personal suitability and for taking any action if they are not suitable or if there are any doubts about their suitability.

If not already required by the applicable national law, the companies covered by this section must obtain a personal statement from potential holders of key roles that includes details of their good repute, encompassing, for example, details of any previous regulatory proceedings or of potential conflicts of interest. A German criminal records check, an EU criminal records check, or equivalent document from the country of domicile must also be obtained.

Furthermore, procedures to reassess people's professional and personal suitability must be put in place. Again, these procedures must take account of the applicable national rules.

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

The assumption of risk is the core business of an insurance group. 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. The ARAG Group 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 the ARAG Group'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.

The ARAG Group'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 the ARAG Group, 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 at the level of the individual companies are identified, analyzed, measured, and submitted to the Management Board of the respective company for decision using appropriate cross-functional review processes, such as the new-product process. Corresponding processes have also been put 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 (RiCo) 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 groupwide 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 the ARAG Group'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, the ARAG Group 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 Group 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 the ARAG Group 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

The Group Internal Audit Central Department is an instrument of the Management Board, to which it is directly accountable and to which it reports. It is assigned to the Management Board member responsible for Human Resources/Group Internal Audit at ARAG SE under the schedule of responsibilities and is bound only by the instructions of the Management Board.

The Group Internal Audit Central Department assists the Management Board of the ARAG Group 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 ARAG Group's 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 in the ARAG Group 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 the ARAG Group's underwriting, contracting, and reinsurance policies. The actuarial function has also been assigned responsibility for validating the ARAG Group'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 in the ARAG Group 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 the ARAG Group'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 the ARAG Group if necessary.

B.7 Outsourcing

In accordance with section 7 no. 2 of the German Insurance Supervision Act (VAG), the ARAG Group 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 general, the ARAG Group 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.

Apart from the outsourcing of the internal audit function at the Norwegian Group company HELP Forsikring AS, no key functions in the ARAG Group had been outsourced to external service providers as of the reporting date. As the outsourcing arrangement for HELP Forsikring AS's actuarial function was taken over by ARAG SE's actuarial function with effect from December 1, 2023, this task is now also performed within the ARAG Group. Within the Group, the insurance companies have outsourced various operational activities and the key functions of risk management/IRCF, compliance, internal audit, and the actuarial function to ARAG SE on standard commercial terms. ARAG Health, which runs its compliance function internally, is an exception here. Within the ARAG Group, 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 the ARAG Group, which results from the risks inherent in the business strategy and in the business of the equity investments.

In this report, the solvency capital requirements (SCR) for the individual risk categories are presented on a gross basis, i.e. before taking account of the loss-absorbing capacity of the technical provisions for health insurance.

In connection with the technical migration of the risk model to a new IT platform, the functional implementation of the standard formula for market risk was reviewed and some aspects were adjusted. The impact of these changes on the measured risk was not material overall. The concentration risk, equity risk, and default risk modules were affected.

There are no material risks arising from off-balance-sheet exposures, nor any risks arising from the transfer of risk 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 Group's risk profile. Based on current assessments, there was no significant change to the Group'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.

C.1 Underwriting Risk

The ARAG Group's underwriting risk arises from the following divisions:
- Indemnity, liability, and accident insurance and legal insurance
- Health insurance

Using standard aggregation, the solvency capital requirements for the two aforementioned risks are not aggregated at Group level to give the solvency capital requirement for overall underwriting risk.

Underwriting risk in indemnity, liability, and accident insurance and in legal insurance

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 in indemnity, liability, and accident insurance and in legal insurance went up from €141,612 thousand as of December 31, 2022 to €166,544 thousand as of December 31, 2023, an increase of €24,932 thousand or 17.6 percent. This increase was primarily attributable to a rise in natural disaster risk and premium risk. The biggest sub-risks were accumulation risk and reserve 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 measured amount of risk equates to the 99.5 percent quantile. Individual sub-risks are 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 as the basis for simulations of future claims and/or required additions to reserves. Likewise, catastrophe risk and accumulation risk are assessed by simulating potential losses from natural disasters, large claims caused by people, or accumulation losses in the legal insurance business. 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.

There were changes to the measurement of risk as a result of major model modifications during the reporting period. They related to the adjustment of the modeling of cost risk and longevity risk and to the expansion of the stochastic model to include special after-the-event business in the United Kingdom and Canada. These model modifications did not have a material impact on the level of the capital requirement for underwriting risk.

Risk concentration
The Group focuses on small-scale insurance business for private customers and small businesses. It has a large portfolio of products and does not underwrite serious or industry risks. This should avoid concentrations of risk. In individual cases, however, unfavorable timing in the occurrence of claims could still lead to a concentration of catastrophe risk or accumulation risk. The limit system ensures that the underwriting risk from indemnity, liability, and accident insurance and from legal insurance as a whole and its sub-risks do not represent undesirable concentrations in the risk profile.

Risk mitigation
Measures implemented to restrict the risks include risk limits and various reinsurance programs in the individual Group companies.

Risk sensitivity
In the reporting period, various analyses were carried out at individual company level 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 in order to examine changes in the combined ratios. 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 individual German companies' coverage ratios would deviate from the baseline scenario for 2024 as follows:

- ARAG SE: decrease of up to 25.9 percentage points to 336.4 percent
- ARAG Allgemeine: decrease of up to 27.2 percentage points to 185.8 percent
- Interlloyd: decrease of up to 28.7 percentage points to 201.0 percent

These results show that the coverage ratio of the Group would still be well above the minimum coverage ratio of 150.0 percent specified in the business policy even if the analyzed changes in ratios were to occur.

In addition, potential effects of climate change on the insurance business of ARAG Allgemeine Versicherungs-AG and Interlloyd Versicherungs-AG 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 using an increased frequency and growing intensity. 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 showed a significant impact in this scenario, although coverage would be sufficient at all times.

Underwriting risk in health insurance

Risk exposure

Underwriting risk is the risk of a loss or adverse change in the value of insurance liabilities. It can arise from pricing that is subsequently found to be inadequate or from provisioning assumptions that require adjustment. These losses result from the following three risk components and their sub-risks:

1. Risk from health insurance operated on a basis similar to that of non-life insurance:
   - Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the settlement amount involved
   - Lapse risk (non-life insurance): incidence of customers exiting their contracts early that is above the expected lapse rate

2. Risk from health insurance operated on a basis similar to that of life insurance:
   - Mortality risk: changes in the level, trend, or volatility of mortality rates, where an increase in mortality rates leads to an increase in the value of insurance liabilities
   - Longevity risk: changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rates leads to an increase in the value of insurance liabilities
   - Disability-morbidity risk: changes in the level, trend, or volatility of disability, sickness, and morbidity rates
   - Expense risk: changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts
   - Lapse risk (life insurance): changes in the level or volatility of the rates of insurance policy lapses, terminations, and renewals

3. Risk from health insurance policies under which claims are made as a result of catastrophes:
   - Mass accident risk: the risk of having many people in one location at the same time, which, if a loss event occurred, would cause mass accidental deaths and, in particular, disabilities and injuries with a high impact on the cost of medical treatment sought
   - Accident concentration risk: the risk that very many of the people involved in an accident are insured with the insurance company
   - Pandemic risk: the risk of a large number of customers making disability, income protection, and healthcare claims and where victims are unlikely to recover as a result of a pandemic

The solvency capital requirement for underwriting risk in health insurance went up from €136,699 thousand as of December 31, 2022 to €195,431 thousand as of December 31, 2023, an increase of €58,731 thousand or 43.0 percent. This increase was attributable to higher lapse risk, which in turn was due to portfolio growth and a fall in interest rates. The biggest sub-risks were lapse risk and disability-morbidity risk.

Risk measurement

Risks are measured with the standard formula. Depending on the risk involved, prescribed factors or stress scenarios are used in order to determine their impact on the liabilities.

The sub-risks determined in this way are aggregated into the three risk components for health insurance. The actual underwriting risk arises from the further aggregation of these three components, taking diversification effects into account.

Risk concentration

Concentrations of risk could arise in respect of risk from health insurance policies as a result of catastrophes. The concentration risk, which predominantly arises in group life business, is measured separately and is not material due to its low level. The limit system ensures that the underwriting risk as a whole remains limited in the Company's risk profile.

Risk mitigation

To reduce the risks, the Group makes use of the available opportunities to structure policyholder profit participation and adjust premiums to the extent permitted by law. Reinsurance is also in place, although the total volume of reinsurance agreements is not material. This reinsurance is not included in the risk measurement for reasons of proportionality, i.e. because the amounts involved are so low.

Risk sensitivity

Having fallen continually in recent years, the discount rate could increase for the first time due to the turnaround in the interest-rate market. To quantify potential consequences, a discount-rate scenario was examined in the 2023 ORSA process. To this end, a baseline scenario with a slight medium-term increase in interest rates over the next five years was produced as of June 30, 2023. In this discount-rate scenario, a greater increase in interest rates than in the baseline scenario was assumed in order to simulate a rise in the discount rate. An elevated level of inflation was also assumed. At 566.4 percent, the coverage ratio for 2024 was only 4.6 percentage points lower than in the baseline scenario.

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
- Property risk: changes in the level or volatility of the market prices of real estate
- Spread risk: changes in the level or volatility of credit spreads over the risk-free interest-rate term structure
- Currency risk: changes in the level or volatility of exchange rates
- Concentration risk: large exposure to the risk of default of a single issuer or group of related issuers

The solvency capital requirement for market risk went up from €669,917 thousand as of December 31, 2022 to €763,810 thousand as of December 31, 2023, an increase of €93,893 thousand or 14.0 percent. The biggest sub-risks were equity risk and credit risk (attaching to investments).

Risk measurement

These risks are measured with the standard formula. New fair values of investments and liabilities are determined in the stress scenarios for interest rates, share prices, real estate prices, credit spreads, credit ratings/defaults, and exchange rates. The actual market risk arises from the aggregation of the sub-risks and concentration risk, taking diversification effects into account.

In connection with the technical migration of the risk model to a new IT platform, some aspects of the implementation of the standard formula for market risk were adjusted.

Risk concentration

Investments are made at individual company level and the prudent person principle is applied. This requires an appropriate diversification of the portfolio, as a result of which risk concentrations are generally restricted. The limit system for the individual companies and the Group takes into account the individual risk profile of the investment and prevents a concentration of the biggest sub-risks, which the Company would not be able to bear. The limit system also ensures that market risk as a whole does not create an undesirable concentration 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 market risk limits are taken into account for the individual companies 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 of the individual companies. These specify that derivatives can only be used to hedge market risk.

Risk sensitivity

A stagflation scenario at individual company level 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, this showed the following changes to the coverage ratios compared with the baseline scenario:

- ARAG SE: decrease of 124.2 percentage points to 238.1 percent
- ARAG Allgemeine: decrease of 69.2 percentage points to 143.8 percent
- Interlloyd: decrease of 63.3 percentage points to 166.4 percent

These results show that the coverage ratio of the Group for 2024 would still be above the minimum coverage ratio of 150.0 percent specified in the business policy even if the analyzed scenario were to occur.

Another analysis carried out as part of the ORSA process examined the impact of the long-term risks associated with climate change on the investment portfolio. These climate risks relate, for example, to 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 the ARAG Group's risk-bearing capacity.

C.3 Credit Risk

Risk exposure
Counterparty default risk largely arises in connection with receivables from reinsurers, bank deposits, receivables from policyholders, and receivables from insurance brokers. It is the downside risk arising from the unexpected default of counterparties and debtors.

The solvency capital requirement for credit risk rose from €56,039 thousand as of December 31, 2022 to €98,116 thousand as of December 31, 2023, an increase of €42,077 thousand.

Risk measurement
Risks are measured with the standard formula. It specifies the method used to bring together the different types of exposure, aggregate them, and determine the associated correlations. The risk of default on receivables from reinsurers and bank deposits is measured on the basis of the information available and proportionality considerations. The reinsurers' and banks' 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.

In connection with the technical migration of the risk model to a new IT platform, the functional implementation of the standard formula for credit risk was reviewed and some aspects were adjusted.

Risk concentration
The counterparties with a significant exposure are banks. However, based on internal investment guidelines, bank deposits are diversified to such an extent that any concentration at a single bank is limited.

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

To contain the default risk attaching to bank deposits, only selected banks may be used for such transactions. There is also a limit on the amount of deposits permitted at a bank at any one time.

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 at individual company level 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 at individual company level 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 individual companies 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 at individual company level, thus providing early warning of whether liquidity will be required 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 that payment obligations can be met 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 individual 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

Sensitivity analyses were carried out as part of ALM at individual company level 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 €416,037 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 rose from €69,068 thousand as of December 31, 2022 to €75,040 thousand as of December 31, 2023, an increase of €5,972 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 Group 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 Group's risk strategy and the underlying business models. 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 in the ARAG Group 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 Group, there is a particular risk to the insurance business and to investments in connection with climate change. In the reporting year, scenario analyses were performed at individual company level 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 Group 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.

Group-specific risks

Risk exposure
The main Group-specific risk is the potential for contagion. Individual companies could have a negative impact on the Group or vice versa – for example, through market risk, reputational risk, or operational risk – if possible weaknesses arise.

Risk measurement
Group-specific risk ultimately materializes through other categories of risk covered in this chapter, such as market risk, reputational risk, or operational risk. Risk is measured at Group level during the ORSA process.

Risk concentration
Concentrations of risk are already countered operationally at individual company level. A limit system is also used for the purposes of monitoring the risk at Group level. There are no material risk concentrations.

Risk mitigation
The individual risk categories, and therefore also the resulting contagion risks, are reduced as described in the relevant sections within this chapter. In addition, collaboration between the entities in the Group is being fostered by a steadily growing process of information-sharing at international level between and with the individual branches, and by an appropriate governance structure.

Risk sensitivity
Sensitivity calculations are carried out at the level of the other risk categories. Risks arising from the Group structure are not considered to be material and are not subject to any sensitivity analysis.

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 the ARAG Group:

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	6,661,887	6,504,381	157,506	6,040,195	621,693
Technical provisions	3,610,481	5,146,669	– 1,536,188	3,331,989	278,493
Other liabilities	872,892	638,324	234,569	745,648	127,244
Excess of assets over liabilities	**2,178,514**	**719,388**	**1,459,125**	**1,962,558**	**215,956**

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	4,797	– 4,797	0	0
Deferred acquisition costs	0	0	0	0	0
Intangible assets	0	11,328	– 11,328	0	0
Deferred tax assets	0	578	– 578	0	0
Pension benefit surplus	479	479	0	345	134
Property, plant & equipment held for own use	287,404	139,521	147,883	309,931	– 22,528
Investments					
Property (other than for own use)	89,436	53,612	35,825	108,435	– 18,999
Holdings in related undertakings, including participations	22,017	21,213	804	31,892	– 9,875
Equities	10,652	8,191	2,461	15,163	– 4,512
Bonds	3,359,455	3,512,420	– 152,965	3,092,236	267,219
Collective investment undertakings	2,104,940	1,958,837	146,103	1,881,690	223,251
Derivatives	0	0	0	0	0
Deposits other than cash equivalents	111,561	111,561	0	84,312	27,249
Other investments	0	0	0	0	0
	5,698,062	**5,665,834**	**32,228**	**5,213,729**	**484,333**
Assets held for index-linked and unit-linked contracts	0	0	0	0	0
Loans and mortgages	3,870	3,870	0	3,868	2
Reinsurance recoverables	27,664	33,737	– 6,073	29,358	– 1,693
Deposits to cedants	65,439	65,433	6	65,224	215
Insurance and intermediaries receivables	173,780	173,772	7	170,597	3,183
Reinsurance receivables	427	427	0	3,090	– 2,663
Receivables (trade, not insurance)	66,576	66,576	0	40,106	26,470
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	322,807	322,650	156	190,191	132,616
Any other assets, not elsewhere shown	15,380	15,380	0	13,756	1,625
Total assets	**6,661,887**	**6,504,381**	**157,506**	**6,040,195**	**621,693**

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.

The Group determines the differences separately by tax jurisdiction and examines the effects of the reversal of the differences.

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.

Pension benefit surplus

This item shows the net pension benefit surplus from a pension plan. A figure is disclosed where the value of the protection fund assets is higher overall than the present value of the obligation under the employee pension scheme.

The Solvency II carrying amount was the same as the fair value recognized in accordance with HGB.

Property, plant & equipment held for own use

The balance sheet line item 'Property, plant & equipment held for own use' comprises material property, plant, and equipment that is used by the Company for its own purposes and on a permanent basis.

Under Solvency II, fair values are used to determine the value of property held for own use. This differs from the approach taken under HGB, which is to value it at cost less depreciation. For the purposes of the Solvency II balance sheet, the value of the land is based on the prevailing standard land values. The value of the buildings is calculated using the income capitalization approach.

Plant and equipment held for own use is treated in exactly the same way for solvency reporting purposes as it is under HGB for reasons of materiality, low risk, and the disproportionate time, effort, and expense that would otherwise be involved. It is recognized at amortized cost on the HGB balance sheet and subsequently depreciated on a straight-line basis over the standard operating useful life.

The year-on-year decrease of €22,528 thousand in the Solvency II carrying amount was primarily due to lower fair values of individual properties.

Property (other than for own use)

This item includes all property that is held as a financial investment and is thus not intended for own use as well as buildings under construction that are earmarked for use by third parties after completion.

Fair values are used for Solvency II purposes. The economic values are revised annually by means of an internal assessment that takes the form of an update to the most recent external appraisal. The internal valuations are supplemented by external appraisals at intervals of no more than three years. In the event of a change in the portfolio, the valuation is carried out on the basis of an external appraisal. The value of the land is based on the prevailing standard land values. The value of the buildings is calculated using the income capitalization approach. This method discounts the expected future rental income less the likely management costs to the balance sheet date.

The fair value of €89,436 thousand was the sum of the values of the land and the values of the buildings. Under Solvency II, land and buildings are categorized as either held for own use or rented out to third parties. The year-on-year decrease of €18,999 thousand in fair value was mainly due to the lower fair values of some properties held by the ARAG Group.

The valuation difference between the Solvency II balance sheet and the HGB financial statements arose because the historical cost convention, taking into account depreciation and write-downs, was applied in the valuation under HGB, whereas the higher fair values were recognized on the Solvency II balance sheet.

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.

The main affiliated companies (related undertakings), including other equity investments (participations), included in the ARAG Group's basis of consolidation 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 €22,017 thousand. The year-on-year decrease of €9,875 thousand in the Solvency II carrying amount was mainly attributable to the decline in the fair value of AXA-ARAG Rechtsschutz AG.

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.

Equities

(€'000)	SII as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	SII as of Dec. 31, 2022	SII change
Equities – listed	8,200	7,311	889	11,842	– 3,641
Equities – unlisted	2,451	880	1,572	3,322	– 870
Total	**10,652**	**8,191**	**2,461**	**15,163**	**– 4,512**

The balance sheet line item 'Equities' comprises both listed and unlisted equities. It is where shares in the equity of limited companies are recognized.

For solvency purposes, equities are valued at their quoted market price or market value. If this price/value is not available, the value is estimated using a valuation model. If the necessary information for a premium on the security or on the issuer is not available, it is determined – where available – on the basis of the investment's credit rating; otherwise, the credit rating of the issuer or the sector is used.

The valuation difference of €2,461 thousand resulted from recognition at cost (taking into account the quoted market prices or market values on the reporting date) on the HGB balance sheet and recognition at fair value on the Solvency II balance sheet.

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	1,280,664	1,328,446	– 47,782	1,199,492	81,172
Corporate bonds	2,033,769	2,138,171	– 104,402	1,856,417	177,352
Structured notes	13,718	14,861	– 1,143	17,220	– 3,502
Collateralized securities	31,304	30,941	362	19,106	12,197
Total	**3,359,455**	**3,512,420**	**– 152,965**	**3,092,236**	**267,219**

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 €267,219 thousand in the Solvency II carrying amount was mainly attributable to price gains on government and corporate bond holdings. This substantial increase was offset to a smaller extent by a reduction in the portfolio of structured notes.

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	605,114	573,971	31,143	516,439	88,675
Bonds	997,871	956,359	41,511	935,355	62,515
Other	501,956	428,507	73,449	429,896	72,060
Total	**2,104,940**	**1,958,837**	**146,103**	**1,881,690**	**223,251**

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 €2,104,940 thousand. The year-on-year increase of €223,250 thousand in the economic value was primarily due to portfolio growth in the equity segment.

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.

Loans and mortgages

(€'000)	SII as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	SII as of Dec. 31, 2022	SII change
Loans on policies	0	0	0	0	0
Loans and mortgages to individuals	86	86	0	118	– 32
Other loans and mortgages	3,783	3,783	0	3,750	33
Total	**3,870**	**3,870**	**0**	**3,868**	**2**

This item comprises loans on policies, loans and mortgages to individuals, and other loans and mortgages, i.e. financial assets that are created when a creditor lends secured or unsecured funds to borrowers.

For reasons of materiality and because of the low risk, no present value calculations were carried out in the year under review, as had also been the case in 2022. Instead, HGB carrying amounts were also used for Solvency II purposes. Under HGB, the amounts are recognized at cost, adjusted for any permanent changes in value. There were no changes compared with the prior year.

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	**27,664**	**33,737**	**– 6,073**	**29,358**	**– 1,693**
of which: non-life excluding health	26,235	33,737	– 7,503	27,632	– 1,398
of which: health similar to non-life	1,430	0	1,430	1,725	– 296
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	**27,664**	**33,737**	**– 6,073**	**29,358**	**– 1,693**

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 €1,693 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.

Deposits to cedants

Deposits to cedants comprise receivables for the underwriting liabilities in the inward reinsurance business. These deposits are largely repayable within twelve months.

As is the case under HGB, the nominal amount of deposits to cedants is generally used as their economic value. However, exchange-rate adjustments in inward reinsurance business gave rise to a difference of €6 thousand.

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 the ARAG Group's reinsurance treaties have terms longer than twelve months, so the economic value is the same as the nominal amount under HGB.

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

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).

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	2,051,109	– 2,051,109	0	0
Best estimate	1,185,418	0	1,185,418	1,102,693	82,724
Risk margin	44,953	0	44,953	42,420	2,533
	1,230,370	**2,051,109**	**– 820,738**	**1,145,113**	**85,257**
Technical provisions – health (similar to non-life)					
Technical provisions calculated as a whole	0	1,257	– 1,257	0	0
Best estimate	60,491	0	60,491	61,358	– 867
Risk margin	3,551	0	3,551	3,082	469
	64,042	**1,257**	**62,785**	**64,440**	**– 398**
	1,294,412	**2,052,365**	**– 757,953**	**1,209,553**	**84,859**
Technical provisions – life (excluding index-linked and unit-linked)					
Technical provisions – health (similar to life)					
Technical provisions calculated as a whole	0	2,927,978	– 2,927,978	0	0
Best estimate	2,293,324	0	2,293,324	2,100,024	193,300
Risk margin	20,775	0	20,775	16,582	4,194
	2,314,100	**2,927,978**	**– 613,878**	**2,116,606**	**197,494**

→

→ 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	1,951	0	1,951	5,743	– 3,792
Risk margin	18	0	18	87	– 69
	1,969	**0**	**1,969**	**5,830**	**– 3,861**
	2,316,069	**2,927,978**	**– 611,909**	**2,122,436**	**193,633**
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**
	3,610,481	**4,980,343**	**– 1,369,862**	**3,331,989**	**278,493**
Other technical provisions	**0**	**166,326**	**– 166,326**	**0**	**0**
Total technical provisions	**3,610,481**	**5,146,669**	**– 1,536,188**	**3,331,989**	**278,493**

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 (gross) in accordance with HGB amounted to €5,146,669 thousand (December 31, 2022: €4,863,659 thousand). In addition to the actuarial reserve of €2,532,881 thousand (December 31, 2022: €2,350,398 thousand), the HGB technical provisions included the provision for outstanding claims (gross) of €1,871,138 thousand (December 31, 2022: €1,793,837 thousand), the provision for bonuses and rebates of €279,709 thousand (December 31, 2022: €272,221 thousand), the provisions for unearned premiums (gross) of €296,616 thousand (December 31, 2022: €292,629 thousand), the equalization provisions of €161,498 thousand (December 31, 2022: €148,799 thousand), and the miscellaneous technical provisions of €4,828 thousand (December 31, 2022: €5,776 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 (Group headquarters) 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 in relation to direct insurance business is recognized separately by event year for claims reported in the financial year concerned and for claims that have occurred up to the balance sheet date but have not yet been reported. A provision for claim settlement expenses is also recognized. These provisions are valued in accordance with prudent business practice, taking into account the ongoing need to satisfy the obligations under insurance contracts. Valuation is based on values as of the balance sheet date. The provisions are not discounted. The results from the group-based and individual valuations are reviewed on a portfolio basis using actuarial methods.

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

Please see the reports of the individual companies for a breakdown of the material technical provisions by line of business in the ARAG Group.

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 in the ARAG Group. 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.

In the calculation of the risk margin, it is generally assumed that market risk is completely avoidable for a reference company taking on insurance obligations. This can be achieved directly by elimination of the related risks in the asset portfolio for all types of market risk other than interest-rate risk. For interest-rate risk, a matching strategy can be implemented on the basis of asset duration aligned with the policyholder base that will make market risk as a whole negligible to the extent that it is no longer material.

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.

The ARAG Group did not apply any transitional measures or volatility adjustments in the reporting period.

Technical provisions – health (similar to non-life)

Technical provisions – health (similar to non-life) include liabilities under the accident class of insurance at ARAG Allgemeine and Interlloyd, and liabilities arising from contracts under the foreign travel health insurance rate scales and corporate health insurance rate scales at ARAG Health. The individual components of the provisions and their calculation methodology are similar to those for non-life insurance.

The long-term rate scales at ARAG Health calculated on a basis similar to that for non-life insurance are managed as a component of the provision similar to life because of their risk profile. For reasons of materiality, the market value of technical provisions for health similar to non-life is recognized in the same amount as the HGB value.

The ARAG Group did not apply any transitional measures or volatility adjustments in the reporting period.

Technical provisions – health (similar to life)

This item includes both the provisions at ARAG Health and the annuity liabilities under the accident class of insurance at ARAG Allgemeine and Interlloyd.

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 methodology used to calculate the risk margin for the annuity liabilities of ARAG Allgemeine and Interlloyd is similar to that for non-life insurance.

The market values for technical provisions for health insurance (similar to life) are calculated with the inflation-neutral valuation method.

The market value of the technical provisions for health insurance (similar to life) comprises the expected value provision plus the risk margin. The Solvency II working group of the Association of German private healthcare insurers (PKV) developed the inflation-neutral valuation method as a way of calculating the expected value provision. It is based on the assumption that the additional outgoing cash flows resulting from rising healthcare costs will be offset by the additional incoming cash flows resulting from premium adjustments. The method is considered to be reasonable because the modeling approach is conservative. The inflation-neutral valuation method represents a simplification pursuant to article 60 of the Delegated Regulation. The method reflects the legal requirement that policyholders receive a share of profits. The resulting expected value provision therefore contains, in particular, the present value of the future profit participation.

Reinsurance recoverables are not of material significance to ARAG Health.

To calculate the risk margin, an approximation method as permitted by the EIOPA guidelines on the valuation of technical provisions is used. The underlying management rules are subject to a certain level of valuation uncertainty because management decisions over the whole of the insurance period cannot currently be predicted with certainty. It is only possible to make assumptions regarding expectations, taking into account ARAG Health's current or currently planned strategies. Based on a regular validation of the fundamental assumptions and methods, the approach used to value the expected value provision and the risk margin is considered to be appropriate.

The ARAG Group did not apply any transitional measures or a volatility adjustment in the reporting period.

There were no changes in the system of valuation under the inflation-neutral valuation method compared with the prior year. The valuation of the Solvency II carrying amount for the technical provisions covering health insurance (similar to life) was €613,878 thousand lower than the valuation of the HGB carrying amount. This resulted from the use of a risk margin of €20,775 thousand and, in particular, the difference between conventional actuarial reserves and the economic value of the technical provisions (best estimate), which is influenced by the following four factors:

- Re-discounting of cash flows
- Inclusion of sundry technical surpluses
- Inclusion of the option for premium adjustments
- Calculation of future profit participation

One of the valuation differences for the technical provisions was that the tax calculation (deferred taxes) under Solvency II included the surplus fund (€175,459 thousand).

The total carrying amount of the technical provisions – health (similar to life) in accordance with Solvency II rose by €193,633 thousand year on year. The increase in the best estimate for health insurance (similar to life) was due, in particular, to portfolio growth and a decline in the EIOPA yield curve.

The decrease of €4,194 thousand in the risk margin for health insurance (similar to life) resulted mainly from a decline in the reference solvency capital requirement (reference SCR) and a rise in the risk-free interest-rate term structure.

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 the ARAG Group 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.

The ARAG Group did not apply any transitional measures or volatility adjustments in the reporting period.

Other technical provisions

The other technical provisions[1] (miscellaneous technical provisions on the HGB balance sheet) primarily consist of the equalization provision (€161,498 thousand) and other provisions such as lapse provisions (€4,187 thousand) and the provision for legal action resulting from premium adjustments (€454 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.

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). For Solvency II purposes, lapse risk and litigation risk are already 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').

[1] In accordance with the Solvency II structure.

Reinsurance recoverables are of no material significance to the ARAG Group. 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 in the ARAG Group.

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	140,724	141,583	– 859	126,783	13,941
Pension benefit obligations	246,330	299,413	– 53,083	223,456	22,874
Deposits from reinsurers	0	0	0	4	– 4
Deferred tax liabilities	288,213	0	288,213	215,629	72,584
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	89,871	89,871	0	77,598	12,273
Reinsurance payables	841	841	0	686	155
Payables (trade, not insurance)	73,929	73,929	0	69,068	4,862
Subordinated liabilities	30,298	30,000	298	29,924	374
Any other liabilities, not elsewhere shown	2,685	2,685	0	2,501	184
Total liabilities	**872,892**	**638,324**	**234,569**	**745,648**	**127,244**

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 €22,874 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.

Deposits from reinsurers

Deposits from reinsurers are premiums that the reinsurer has provided to the primary insurer as collateral for the underwriting liabilities taken on in the inward reinsurance business.

There were no valuation differences between the Solvency II balance sheet and the HGB balance sheet because the maturity period did not exceed twelve months. The nominal amount was therefore used as the economic value.

Deferred tax liabilities

IAS 12 requires deferred tax liabilities 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 and liabilities.

If differences arise between the carrying amounts on the Solvency II balance sheet and those in the tax base and these differences are expected to reverse in subsequent years, deferred taxes are recognized on the Solvency II balance sheet in respect of these differences using separate entity-specific tax rates (determined according to the country in which the registered office of the permanent establishment/branch or Group company concerned is situated). This also includes differences for which the timing of the reversal is not yet precisely known, differences that depend on action by the entity concerned, or differences that will only reverse in the event of any liquidation. For the purpose of recognition on the Solvency II balance sheet, the effects of the reversal of the differences between the Solvency II balance sheet and the tax base are reviewed in terms of their impact on the basis of tax assessment.

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. All tax group subsidiaries are included in the basis of consolidation as Group companies.

After netting in accordance with the guideline mentioned in chapter D.1 under 'Deferred tax assets', the deferred tax liabilities amounted to €288,213 thousand. This was due mainly to the deferred taxes resulting from the technical provisions (€336,773 thousand, netted), offset, in particular, by deferred tax assets resulting from pension benefit obligations (€30,522 thousand, netted). Deferred tax liabilities are not discounted.

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].

The ARAG Group'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.

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.

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.

Subordinated liabilities

(€'000)	SII as of Dec. 31, 2023	HGB as of Dec. 31, 2023	Valuation difference	SII as of Dec. 31, 2022	SII change
Subordinated liabilities not in basic own funds	30,298	30,000	298	29,924	374
Subordinated liabilities in basic own funds	0	0	0	0	0
Total	**30,298**	**30,000**	**298**	**29,924**	**374**

These are liabilities that, in the event of insolvency or liquidation of the Company, will be paid only after all the claims of other, non-subordinated creditors have been settled.

The subordinated liabilities that had been included in basic own funds until 2021 had been issued by way of private placement to improve the own funds used to determine the solvency ratio. The registered bond has a fixed maturity of ten years and will be redeemed in 2024. The subordinated bearer bonds are recognized at their settlement amount. These bonds are not tradable in Germany on a regulated market within the meaning of section 2 (5) of the German Securities Trading Act (WpHG).

On the Solvency II balance sheet, the subordinated liabilities in basic own funds are discounted with the risk-free interest rate derived from investment-grade industrial bonds, modified by the value of ARAG's different credit rating at the time the subordinated bond was issued. This results in an interest rate that is lower than the bond's nominal interest rate and in an immaterial valuation difference.

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.

Please see the separate reports of the individual companies for an aggregation of the material items in accordance with the valuation hierarchy.

To validate recognition at nominal amount, the ARAG Group 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 the ARAG Group’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 the ARAG Group has sufficient eligible own funds to cover the requirement. Capital management thus secures the Group's own funds base and identifies interdependencies between risk management and capital management in order to monitor, manage, and secure at all times the Group'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, the Group would consider steps to increase own funds, such as an additional payment into the capital reserves or borrowing pursuant to section 89 (3) no. 2 of the German Insurance Supervision Act (VAG), in addition to risk-mitigating procedures.

In 2023, the Group did not identify any need to strengthen components of basic own funds within its planning horizon. The ARAG Group 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 Group held an excess of assets over liabilities of €2,178,514 thousand (December 31, 2022: €1,962,558 thousand) according to the Solvency II balance sheet. The ARAG Group's minimum capital requirement (MCR) as of the reporting date was €291,165 thousand (December 31, 2022: €270,043 thousand) and the solvency capital requirement (SCR) was €638,890 thousand (December 31, 2022: €554,574 thousand).

Until 2021, it had a subordinated liability (issued by ARAG SE) of €32,023 thousand classified as own funds. This registered bond has a fixed maturity of ten years and will be redeemed in 2024. In light of the residual maturity of less than one year, this bond has not been included in the calculation of own funds. In the event of liquidation, it will be subordinate to all other liabilities.

For the reconciliation of net asset value (NAV) to eligible own funds (EOF), there was a deduction (ring-fenced fund) of €50,675 thousand in accordance with article 81 (1) of Delegated Regulation (EU) 2015/35 (the Delegated Regulation). A reduction of €94,075 thousand for own funds of the Group with restricted transferability was also made during the reconciliation, as was a reduction of €33,530 thousand for non-controlling interests. According to the proposal for appropriation of the profit recognized on the HGB balance sheet, a sum of €10,000 thousand will be distributed to shareholders of the parent company as dividends.

This resulted in eligible own funds of €1,990,234 thousand to cover the solvency and minimum capital requirement (December 31, 2022: €1,750,258 thousand). All of the eligible own funds are classified at the highest quality level for own funds (Tier 1). The Company had no own funds at the other quality levels (Tier 2 and Tier 3) as of the reporting date.

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	**719,388**	**649,366**
Revaluation of investments with recognition of deferred taxes	192,074	56,358
Revaluation of technical provisions with recognition of deferred taxes	1,193,342	1,174,860
Revaluation of pension benefit obligations with recognition of deferred taxes	83,606	94,093
Revaluation of HGB deferred taxes	– 578	– 798
Revaluation of miscellaneous items with recognition of deferred taxes	– 9,318	– 11,321
Excess of assets over liabilities according to the Solvency II balance sheet	**2,178,514**	**1,962,558**
Dividend distribution (foreseeable dividend)	– 10,000	– 10,000
Deduction (ring-fenced fund)	– 50,675	– 55,447
Reduction in restricted Group own funds	– 94,075	– 118,174
Adjustment for non-controlling interests	– 33,530	– 28,678
Total own funds as of December 31 that are eligible to cover the solvency capital requirement	**1,990,234**	**1,750,258**

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

The ARAG Group netted deferred taxes in accordance with the guideline described in chapter D.1 'Assets'; in chapter D.3 'Other Liabilities', it only recognized deferred tax liabilities, which are not discounted.

This net deferred tax liability was taken into account in an initial analysis of the recoverability of deferred tax assets. 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.

Deferred tax liabilities totaling €288,213 thousand were recognized in the table 'Reconciliation of the equity on the HGB balance sheet to eligible own funds'. The calculation of deferred taxes takes into account applicable tax legislation and tax rates. On this basis, there are no own funds that would have to be recognized under Tier 3.

Own funds reconciliation reserve

(€'000)	Total	Tier 1 own funds	Tier 2 own funds	Tier 3 own funds
Share capital	200,000	200,000	0	0
Share premium account related to ordinary share capital	0	0	0	0
Reconciliation reserve	1,917,839	1,917,839	0	0
Reduction in restricted Group own funds	– 94,075	– 94,075	0	0
Adjustment for non-controlling interests	– 33,530	– 33,530	0	0
Basic own funds	**1,990,234**	**1,990,234**	**0**	**0**
Ancillary own funds	0	0	0	0
Own funds as of December 31 that are eligible to cover the solvency capital requirement	**1,990,234**	**1,990,234**	**0**	**0**

The reconciliation reserve amounted to €1,917,839 thousand and predominantly consisted of HGB revenue reserves of €423,857 thousand and valuation differences of €1,493,982 thousand. As of December 31, 2023, the Group's eligible own funds were €239,976 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

The ARAG Group uses a partial internal model to calculate the solvency capital requirement. In this certified model, the non-life underwriting risk is calculated using internal modeling. The other risk modules and the aggregation of the risk modules for the solvency capital requirement are based on the standard formula. The basis of consolidation is presented in chapter E.4 'Differences Between the Standard Formula and Any Internal Model Used'.

The solvency capital requirement increased by 15.2 percent year on year, from €554,574 thousand to €638,890 thousand. Please refer to chapter C. 'Risk Profile' for further information on the changes in the individual risks. Of the solvency capital requirement, €602,895 thousand related to the core group and €35,995 thousand to the non-controlled participations (NCPs). At 311.5 percent, the coverage ratio was significantly higher than the regulatory requirement and, in the ARAG Group's view, constituted a good risk buffer, particularly for customers. As of the reporting date, the coverage ratio was a marginal 4.1 percentage points lower than the equivalent figure as of December 31, 2022 (315.6 percent).

Components of the solvency capital requirement

(€'000)	Dec. 31, 2023	Dec. 31, 2022
Market risk	763,810	669,917
Non-life underwriting risk	166,544	141,612
Health underwriting risk	195,431	136,699
Counterparty default risk	98,116	56,039
Diversification	–296,214	–220,412
Basic solvency capital requirement	**927,686**	**783,855**
Operational risk	75,040	69,068
Non-controlled participations	35,995	41,847
Adjustments	–399,831	–340,196
Loss-absorbing capacity of deferred taxes	–116,076	–108,645
Loss-absorbing capacity of technical provisions	–283,755	–231,551
Solvency capital requirement	**638,890**	**554,574**

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. These calculations have consistently showed a sufficient level of coverage.

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

The Group's SCR floor (minimum capital requirement) is the sum of the minimum capital requirements for the insurance companies and those for the NCPs. As of December 31, 2023, the minimum capital requirement came to €291,165 thousand (December 31, 2022: €270,043 thousand), of which €281,610 thousand related to participating insurance undertakings and €9,555 thousand to NCPs. The minimum capital requirement equates to 45.6 percent of the current solvency capital requirement, which means that the coverage ratio for the minimum capital requirement as of the reporting date was 683.5 percent (December 31, 2022: 648.1 percent). The increase in the minimum capital requirement of 7.8 percent was mainly due to the MCR increases at ARAG SE and ARAG Krankenversicherungs-AG.

In the transition from the basic solvency capital requirement (BSCR) to the solvency capital requirement (SCR), a risk-mitigating effect from deferred taxes in an amount of €116,076 thousand was applied. This resulted solely from the netted deferred tax liability. Projected future profits are not factored in for the purposes of determining the loss-absorbing capacity of the deferred taxes. 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 the ARAG Group.

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 the ARAG Group. The ARAG Group's specific risk profile cannot be accurately reflected using the standard formula.

By contrast, the partial internal model, which is based on factors such as the Company's claims history, enables the Company to model the underwriting risks internally, appropriately and on an individual basis, thus ensuring the risks can be presented and managed adequately.

The internal modeling of risk is structured along the lines of the major business units. At the major business units ARAG SE, ARAG Allgemeine Versicherungs-AG, Interlloyd Versicherungs-AG, and ARAG North America Inc., the non-life underwriting risk is modeled internally. In the case of ARAG Allgemeine Versicherungs-AG and Interlloyd Versicherungs-AG, the risks arising from the accident and liability segments are also fully integrated into the internal modeling of the non-life underwriting risk.

The standard formula is used to model the health insurance underwriting risk at ARAG Krankenversicherungs-AG. For the risks arising in connection with the equity investments HELP Forsikring AS and AXA-ARAG Rechtsschutz AG, there is a risk capital add-on for NCPs within the calculation of the solvency capital requirement. The standard formula is used to model the market risk for all Group companies.

The design of the partial internal model used by the ARAG Group differs from that used by ARAG SE, ARAG Allgemeine Versicherungs-AG, Interlloyd Versicherungs-AG, and ARAG North America Inc. in terms of the way in which market risk and counterparty default risk are modeled. These Group companies model these risks internally.

Probability distribution forecast

Underwriting risk comprises the following components: reserve risk, premium risk (which includes the modules for natural disasters and major/mass claims caused by people), accumulation risk, and lapse risk. Liability, accident, and motor insurance pensions, in which risk arises in connection with premiums, reserves, longevity, and costs, are also classified under non-life underwriting risk and included in the partial internal model.

The modeling for catastrophe risk covers natural disaster risk and major claims caused by people as well as accumulation risk. The Group believes that accumulations of legal insurance represent the catastrophe risk for a legal insurance company. In contrast to the modeling at individual company level, the standard model is used to calculate the market risk in the Group's risk model.

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

The ARAG Group's underwriting portfolio is broken down into various segments according to management and risk considerations. This segmentation is based on the principle of dividing the portfolio into homogeneous risk groups and enables management-relevant information to be determined from the partial internal model and used for the management of the Group on a value-driven basis.

Copula methods are the main approach used to aggregate the distributions into an overall risk distribution for underwriting risk. The dependencies applied for this purpose are determined on the basis of historical data, supplemented with assessments drawn up by experts. Procedures vary only in that the aggregation logic for the sub-risks differs from that for the overall risk because of the more complex structure of the ARAG Group compared with that in the individual companies. However, the methods used to aggregate the risks are the same.

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 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 Group. The Group 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 €296,214 thousand. Diversification effects arise if the risks to be aggregated are independent or only partially dependent on each other. Key diversification factors include:

- Classes of insurance or segments: legal insurance claims involving private or small business customers, as well as accident and liability risks
- Sub-modules: natural disaster risks and risks caused by people
- Regions: losses in different countries

To value the diversification effects within the ARAG Group's partial internal model, the dependencies between the risk sub-modules and risk categories are quantified. The Group uses its own historical data to measure the numerous dependencies at the level of class of insurance, risk category, and region. The parameters are reviewed annually by a committee of experts to check that they remain plausible.

For the integration of the internally modelled non-life underwriting risk, the Company follows the standard integration technique, which incorporates diversification effects. Market risk, non-life underwriting risk, health underwriting risk, and counterparty default risk are aggregated, taking into account correlation matrices. In this process, the solvency capital requirements for the sub-risks are calibrated such that a confidence level of 99.5 percent is achieved over a period of one year.

Non-life underwriting risk/market risk correlation: In the casualty and property business, the risk profile of the ARAG Group is concentrated in segments or classes of insurance that are not directly dependent on the capital market in any way whatsoever. Likewise, to date, there has been no evidence of a dependency on economic trends.

Non-life underwriting risk/health underwriting risk correlation: The non-life underwriting risks taken on by the ARAG Group are independent of the risks associated with health insurance. There are also no restrictions whatsoever in this regard with the result that a correlation parameter of zero can be applied in the aggregation process.

Non-life underwriting risk/counterparty default risk correlation: The counterparty default risk is mainly influenced by possible defaults in connection with reinsurance. The dependency arises for the most part from loss events that impact both the ARAG Group and reinsurers in a relevant manner. It is conceivable that this could materialize, in particular, in the event of natural disasters, which ARAG covers by using various reinsurance treaties. The treaties are distributed among different reinsurers such that the diversification effect reduces the risk still further.

There are no diversification effects other than those described above.

Basis of consolidation

The calculation of the solvency capital requirement for the Group encompasses various companies that are treated in different ways within the Group. Shares in affiliated companies and equity investments relate to companies in which the ARAG Group has a holding of at least 20.0 percent. The consolidated data for calculating the Group's solvency capital requirement includes the following:

- Full consolidation of the data for all insurance or reinsurance entities: insurance holding companies, mixed financial holding companies, and ancillary services companies that are subsidiaries of the parent company
- Proportionate consolidation of data for insurance or reinsurance entities: insurance holding companies, mixed financial holding companies, and ancillary services companies that are managed together with one or more entities not listed under item 1 by an entity listed under item 1 and in which the responsibility is limited to the proportion of capital held

- Use of the adjusted equity method as specified in article 13 (3) of the Delegated Regulation in respect of the data for all shares in affiliated insurance or reinsurance entities: insurance holding companies and mixed financial holding companies that are not subsidiaries of the parent company

Proportional share of the own funds of the entities (calculated in accordance with the relevant sector requirements) for equity investments in affiliated companies that are credit institutions, investment firms and financial institutions, alternative investment funds managers, management companies of undertakings for collective investment in transferable securities (UCITS), institutions for occupational retirement provision, or non-regulated entities carrying out financial transactions

For the purposes of calculating the consolidated own funds for the Group, the data referred to above is adjusted for any intragroup transactions.

Appropriateness of data

The ARAG Group'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	479
Property, plant & equipment held for own use	R0060	287,404
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5,698,062
Property (other than for own use)	R0080	89,436
Holdings in related undertakings, including participations	R0090	22,017
Equities	R0100	10,652
Equities – listed	R0110	8,200
Equities – unlisted	R0120	2,451
Bonds	R0130	3,359,455
Government bonds	R0140	1,280,664
Corporate bonds	R0150	2,033,769
Structured notes	R0160	13,718
Collateralized securities	R0170	31,304
Collective investment undertakings	R0180	2,104,940
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	111,561
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	3,870
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	86
Other loans and mortgages	R0260	3,783
Reinsurance recoverables from:	R0270	27,664
Non-life and health similar to non-life	R0280	27,664
Non-life excluding health	R0290	26,235
Health similar to non-life	R0300	1,430
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	65,439
Insurance and intermediaries receivables	R0360	173,780
Reinsurance receivables	R0370	427
Receivables (trade, not insurance)	R0380	66,576
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	322,807
Any other assets, not elsewhere shown	R0420	15,380
Total assets	**R0500**	**6,661,887**

S.02.01.02

Balance sheet

Liabilities		**Solvency II value**
(€'000)		**C0010**
Technical provisions – non-life	**R0510**	1,294,412
Technical provisions – non-life (excluding health)	**R0520**	1,230,370
Technical provisions calculated as a whole	**R0530**	0
Best estimate	**R0540**	1,185,418
Risk margin	**R0550**	44,953
Technical provisions – health (similar to non-life)	**R0560**	64,042
Technical provisions calculated as a whole	**R0570**	0
Best estimate	**R0580**	60,491
Risk margin	**R0590**	3,551
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	2,316,069
Technical provisions – health (similar to life)	**R0610**	2,314,100
Technical provisions calculated as a whole	**R0620**	0
Best estimate	**R0630**	2,293,324
Risk margin	**R0640**	20,775
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	1,969
Technical provisions calculated as a whole	**R0660**	0
Best estimate	**R0670**	1,951
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**	140,724
Pension benefit obligations	**R0760**	246,330
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	288,213
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**	89,871
Reinsurance payables	**R0830**	841
Payables (trade, not insurance)	**R0840**	73,929
Subordinated liabilities	**R0850**	30,298
Subordinated liabilities not in basic own funds	**R0860**	30,298
Subordinated liabilities in basic own funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	2,685
Total liabilities	**R0900**	**4,483,374**
Excess of assets over liabilities	**R1000**	**2,178,514**

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	4,742	56,167	0	658	257	0	119,562
Gross – proportional reinsurance accepted	R0120	0	0	0	0	0	0	45
Gross – non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	0	2,794	0	658	257	0	7,180
Net	R0200	4,742	53,373	0	0	0	0	112,427
Premiums earned								
Gross – direct business	R0210	4,708	56,248	0	658	257	0	122,096
Gross – proportional reinsurance accepted	R0220	0	0	0	0	0	0	45
Gross – non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	0	2,794	0	658	257	0	7,180
Net	R0300	4,708	53,454	0	0	0	0	114,961
Claims incurred								
Gross – direct business	R0310	1,714	19,256	0	– 1,145	377	0	56,297
Gross – proportional reinsurance accepted	R0320	0	0	0	0	0	0	204
Gross – non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	0	1,728	0	412	393	0	– 796
Net	R0400	1,714	17,528	0	– 1,557	– 16	0	57,297
Expenses incurred	**R0550**	**2,881**	**32,352**	**0**	**82**	**59**	**0**	**64,771**
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**
52,225	0	1,112,448	69,802	10,249					1,426,111
0	0	301,968	12,110	291					314,414
					0	0	0	0	0
2,655	0	1,118	235	26	0	0	0	0	14,922
49,571	0	1,413,299	81,677	10,514	0	0	0	0	1,725,603
52,201	0	1,104,708	68,249	10,254					1,419,380
0	0	302,586	13,557	319					316,506
					0	0	0	0	0
2,655	0	1,121	235	26	0	0	0	0	14,925
49,547	0	1,406,173	81,571	10,547	0	0	0	0	1,720,961
15,912	0	464,871	28,820	1,329					587,431
0	0	85,713	11,228	33					97,177
					0	0	0	0	0
1,177	0	224	11	0	0	0	0	0	3,149
14,735	0	550,360	40,036	1,363	0	0	0	0	681,459
24,911	**0**	**745,461**	**46,197**	**6,462**	**0**	**0**	**0**	**0**	**923,177**
									4
									923,181

S.05.01.02

Premiums, claims and expenses by line of business

(€'000)		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	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	633,247	0	0	0	0	0	0	0	633,247
Reinsurers' share	**R1420**	317	0	0	0	0	0	0	0	317
Net	**R1500**	632,930	0	0	0	0	0	0	0	632,930
Premiums earned										
Gross	**R1510**	632,263	0	0	0	0	0	0	0	632,263
Reinsurers' share	**R1520**	317	0	0	0	0	0	0	0	317
Net	**R1600**	631,946	0	0	0	0	0	0	0	631,946
Claims incurred										
Gross	**R1610**	297,173	0	0	0	0	0	0	0	297,173
Reinsurers' share	**R1620**	0	0	0	0	0	0	0	0	0
Net	**R1700**	297,173	0	0	0	0	0	0	0	297,173
Expenses incurred	**R1900**	**174,439**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**174,439**
Balance – other technical expenses/income	**R2500**									**– 17,226**
Total expenses	**R2600**									**157,213**
Total amount of surrenders	**R2700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

S.05.02.04

Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written) – non-life obligations					Total top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		AT	ES	IT	NL	US	
(€'000)		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross – direct business	R0110	739,459	91,122	134,187	43,132	105,707	184,563	1,298,171
Gross – proportional reinsurance accepted	R0120	55,144	0	43,287	121,413	89,036	0	308,881
Gross – non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	14,176	15	490	0	0	0	14,682
Net	R0200	780,427	91,107	176,984	164,545	194,743	184,563	1,592,370
Premiums earned								
Gross – direct business	R0210	736,660	89,959	131,943	42,310	105,442	184,178	1,290,491
Gross – proportional reinsurance accepted	R0220	55,144	0	45,090	122,024	88,890	0	311,149
Gross – non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	14,176	15	490	0	0	0	14,682
Net	R0300	777,628	89,943	176,543	164,334	194,332	184,178	1,586,958
Claims incurred								
Gross – direct business	R0310	359,709	23,728	44,944	8,023	15,771	82,156	534,330
Gross – proportional reinsurance accepted	R0320	33,307	– 1	25,357	20,731	15,728	39	95,161
Gross – non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	2,670	– 1	233	0	0	0	2,901
Net	R0400	390,346	23,728	70,069	28,754	31,499	82,195	626,590
Expenses incurred	R0550	**386,032**	**42,250**	**92,469**	**121,697**	**161,745**	**50,119**	**854,311**
Other expenses	R1210							**– 123**
Total expenses	R1300							**854,188**

S.05.02.04

Premiums, claims and expenses by country

		Home country	Total top 5 and home country
		C0150	C0210
	R1400		
(€'000)		C0220	C0280
Premiums written			
Gross	R1410	633,247	633,247
Reinsurers' share	R1420	317	317
Net	**R1500**	**632,930**	**632,930**
Premiums earned			
Gross	R1510	632,263	632,263
Reinsurers' share	R1520	317	317
Net	**R1600**	**631,946**	**631,946**
Claims incurred			
Gross	R1610	297,173	297,173
Reinsurers' share	R1620	0	0
Net	**R1700**	**297,173**	**297,173**
Expenses incurred	**R1900**	**174,439**	**174,439**
Balance – other technical expenses/income	**R2500**		**– 17,226**
Total expenses	**R2600**		**157,213**
Total amount of surrenders	**R2700**	**0**	**0**

S.23.01.22

Own funds

(€'000)		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction						
Ordinary share capital (gross of own shares)	**R0010**	200,000	200,000		0	
Non-available called but not paid in ordinary share capital to be deducted at group level	**R0020**	0	0		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
Non-available subordinated mutual member accounts to be deducted at group level	**R0060**	0		0	0	0
Surplus funds	**R0070**	0	0			
Non-available surplus funds to be deducted at group level	**R0080**	94,075	94,075			
Preference shares	**R0090**	0		0	0	0
Non-available preference shares to be deducted at group level	**R0100**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Non-available share premium account related to preference shares at group level	**R0120**	0		0	0	0
Reconciliation reserve	**R0130**	1,917,839	1,917,839			
Subordinated liabilities	**R0140**	0		0	0	0
Non-available subordinated liabilities to be deducted at group level	**R0150**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
The amount equal to the value of net deferred tax assets not available to be deducted at the group level	**R0170**	0				0
Other items approved by supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Non-available own funds related to other own funds items approved by supervisory authority	**R0190**	0	0	0	0	0
Minority interests	**R0200**	0	0	0	0	0
Non-available minority interests to be deducted at group level	**R0210**	33,530	33,530	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 other financial undertakings, including non-regulated undertakings carrying out financial activities	**R0230**	0	0	0	0	
Where deducted according to Art. 228 of the Directive 2009/138/EC	**R0240**	0	0	0	0	
Deductions for participations where there is non-availability of information (Art. 229)	**R0250**	0	0	0	0	0
Deduction for participations included via deduction and aggregation method (D&A) when a combination of methods are used	**R0260**	0	0	0	0	0
Total of non-available own fund items to be deducted	**R0270**	127,605	127,605	0	0	0
Total deductions	**R0280**	**127,605**	**127,605**	**0**	**0**	**0**
Total basic own funds after deductions	**R0290**	**1,990,234**	**1,990,234**	**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 Art. 96 (2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Art. 96 (2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Art. 96 (3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls – other than under first subparagraph of Art. 96 (3) of the Directive 2009/138/EC	**R0370**	0			0	0
Non-available ancillary own funds to be deducted at group level	**R0380**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	**R0410**	0	0	0	0	
Institutions for occupational retirement provision	**R0420**	0	0	0	0	
Non-regulated undertakings carrying out financial activities	**R0430**	0	0	0	0	
Total own funds of other financial sectors	**R0440**	0	0	0	0	
Own funds when using the D&A, exclusively or in combination with method 1						
Own funds aggregated when using the D&A and combination of method	**R0450**	0	0	0	0	0
Own funds aggregated when using the D&A and combination of method net of IGT	**R0460**	0	0	0	0	0
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sectors and from the undertakings included via D&A)	**R0520**	1,990,234	1,990,234	0	0	0
Total available own funds to meet the minimum consolidated group SCR	**R0530**	1,990,234	1,990,234	0	0	
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sectors and from the undertakings included via D&A)	**R0560**	1,990,234	1,990,234	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	1,990,234	1,990,234	0	0	
Total eligible own funds to meet the total group SCR (including own funds from other financial sectors and from the undertakings included via D&A)	**R0660**	1,990,234	1,990,234			
Minimum consolidated group SCR	**R0610**	291,165				
Ratio of eligible own funds to minimum consolidated group SCR	**R0650**	6.84				
Total group SCR	**R0680**	638,890				
Ratio of total eligible own funds to total group SCR – ratio including other financial sectors and the undertakings included via D&A	**R0690**	3.12				

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(€'000)		Total
		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	2,178,514
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	10,000
Other basic own fund items	**R0730**	200,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	50,675
Other non-available own funds	**R0750**	0
Reconciliation reserve	**R0760**	**1,917,839**
Expected profits		
Expected profits included in future premiums (EPIFP) – life business	**R0770**	215,738
Expected profits included in future premiums (EPIFP) – non-life business	**R0780**	200,299
Total expected profits included in future premiums (EPIFP)	**R0790**	**416,037**

S.25.05.22

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

(€'000)		Solvency capital requirement	Amount modeled	USP	Simplifications
		C0010	C0070	C0090	C0120
Risk type					
Total diversification	R0020	– 296,214	0		0
Total diversified risk before tax	R0030	754,965	0		0
Total diversified risk after tax	R0040	638,890	0		0
Total market & credit risk	R0070	763,810	0		0
Market & credit risk – diversified	R0080	763,810	0		0
Credit event risk not covered in market & credit risk	R0190	98,116	0		0
Credit event risk not covered in market & credit risk – diversified	R0200	98,116	0		0
Total business risk	R0270	0	0		0
Total business risk – diversified	R0280	0	0		0
Total net non-life underwriting risk	R0310	189,424	189,424		0
Total net non-life underwriting risk – diversified	R0320	166,544	166,544		0
Total life & health underwriting risk	R0400	199,098	0		0
Total life & health underwriting risk – diversified	R0410	195,431	0		0
Total operational risk	R0480	75,040	0		0
Total operational risk – diversified	R0490	75,040	0		0
Other risk	R0500	0	0		0

Calculation of solvency capital requirement

(€'000)		**C0100**
Total undiversified components	**R0110**	1,298,940
Diversification	**R0060**	– 296,214
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 calculated on the basis of Art. 336 (a) of Delegated Regulation (EU) 2015/35, excluding capital add-on	**R0200**	602,895
Capital add-ons already set	**R0210**	0
Capital add-ons already set – Art. 37 (1) type a	**R0211**	0
Capital add-ons already set – Art. 37 (1) type b	**R0212**	0
Capital add-ons already set – Art. 37 (1) type c	**R0213**	0
Capital add-ons already set – Art. 37 (1) type d	**R0214**	0
Consolidated group SCR	**R0220**	638,890
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	– 283,755
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	**R0310**	– 116,076
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 Art. 304	**R0440**	0
Minimum consolidated group solvency capital requirement	**R0470**	291,165
Information on other entities		
Capital requirement for other financial sectors (non-insurance capital requirements)	**R0500**	0
Capital requirement for other financial sectors (non-insurance capital requirements) – credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	**R0510**	0
Capital requirement for other financial sectors (non-insurance capital requirements) – institutions for occupational retirement provisions	**R0520**	0
Capital requirement for other financial sectors (non-insurance capital requirements) – capital requirement for non-regulated undertakings carrying out financial activities	**R0530**	0
Capital requirement for non-controlled participation	**R0540**	35,995
Capital requirement for residual related undertakings	**R0550**	0
Capital requirement for collective investment undertakings or investment packaged as funds	**R0555**	0
Overall SCR		
SCR for undertakings included via D&A method	**R0560**	0
Total group solvency capital requirement	**R0570**	**638,890**

S.32.01.22

Undertakings in the scope of the group

Basic information							
Country	**Identification code of the undertaking**	**Type of code of the ID of the undertaking**	**Legal name of the undertaking**	**Type of undertaking**	**Legal form**	**Category (mutual/non-mutual)**	**Supervisory authority**
C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**
DE	3912000YELENA3B7JK17	1: LEI	AFI Verwaltungs-Gesellschaft mbH	5: Insurance holding company as defined in Art. 212 (1) (f) of Directive 2009/138/EC	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
ES	391200MYFHRLCFWAH448ES10023	2: Specific code	Agencia de Seguros ARAG S.A.	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Sociedad Anonima	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10003	2: Specific code	ALIN 1 GmbH & Co. KG	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung und Compagnie Kommanditgesellschaft	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10004	2: Specific code	ALIN 1 Verwaltungs-GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10005	2: Specific code	ALIN 2 GmbH & Co. KG	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung und Compagnie Kommanditgesellschaft	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10006	2: Specific code	ALIN 2 Verwaltungs-GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10009	2: Specific code	ALIN 4 GmbH & Co. KG	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung und Compagnie Kommanditgesellschaft	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10010	2: Specific code	ALIN 4 Verwaltungs-GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10031	2: Specific code	ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung und Compagnie Kommanditgesellschaft	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10002	2: Specific code	ARAG 2000 Grundstücks-gesellschaft eGbR	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	eingetragene Gesellschaft buergerlichen Rechts	2: Non-mutual	
DE	3912006MZNEOF4M2XK19	1: LEI	ARAG Allgemeine Versicherungs-AG	2: Non-life insurance undertaking	Aktiengesellschaft	2: Non-mutual	German Federal Financial Supervisory Authority
NO	391200MYFHRLCFWAH448NO10062	2: Specific code	ARAG Digital Services AS	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Aksjeselskap (AS)	2: Non-mutual	
DE	391200XP6U3WBFO71B39	1: LEI	ARAG Gesundheits Services GmbH (AGS)	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448	1: LEI	ARAG Holding SE	5: Insurance holding company as defined in Art. 212 (1) (f) of Directive 2009/138/EC	European Company (SE)	2: Non-mutual	
US	391200MYFHRLCFWAH448US10057	2: Specific code	ARAG Insurance Company	2: Non-life insurance undertaking	Incorporated	2: Non-mutual	National Association of Insurance Commissioners

Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if Art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
94.01%	94.01%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
94.01%	94.01%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
94.90%	94.90%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	94.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%			0.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation

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Basic information							
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non-mutual)	Supervisory authority
C0010	C0020	C0020	C0040	C0050	C0060	C0070	C0080
DE	391200MYFHRLCFWAH448DE10001	2: Specific code	ARAG International Holding GmbH	5: Insurance holding company as defined in Art. 212 (1) (f) of Directive 2009/138/EC	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10011	2: Specific code	ARAG IT GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200SFAXHRCQQ62T14	1: LEI	ARAG Krankenversicherungs-AG	1: Life insurance undertaking	Aktiengesellschaft	2: Non-mutual	German Federal Financial Supervisory Authority
IE	391200MYFHRLCFWAH448IE10063	2: Specific code	ARAG Legal Protection Ltd., Ireland	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Limited	2: Non-mutual	
NL	391200MYFHRLCFWAH448NL10044	2: Specific code	ARAG Legal Services B.V.	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Besloten Vennootschap	2: Non-mutual	
CA	894500AR8IGMN9T9JH42	1: LEI	ARAG Legal Solutions Inc., Canada	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Incorporated	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10012	2: Specific code	ARAG Liegenschafts-verwaltungs- und Beratungs-Gesellschaft mbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10013	2: Specific code	ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung und Compagnie Kommanditgesellschaft	2: Non-mutual	
US	391200MYFHRLCFWAH448US10025	2: Specific code	ARAG LLC	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Limited Liability Company	2: Non-mutual	
US	391200MYFHRLCFWAH448US10059	2: Specific code	ARAG North America Inc.	5: Insurance holding company as defined in Art. 212 (1) (f) of Directive 2009/138/EC	Incorporated	2: Non-mutual	
GB	391200MYFHRLCFWAH448GB10048	2: Specific code	ARAG plc	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Public Limited Company	2: Non-mutual	
NO	391200MYFHRLCFWAH448NO10061	2: Specific code	ARAG Scandinavia AS	5: Insurance holding company as defined in Art. 212 (1) (f) of Directive 2009/138/EC	Aksjeselskap (AS)	2: Non-mutual	
DE	391200QKNZJ8J1XWFE16	1: LEI	ARAG SE	2: Non-life insurance undertaking	European Company (SE)	2: Non-mutual	German Federal Financial Supervisory Authority and Prudential Regulation Authority
DE	391200MYFHRLCFWAH448DE10014	2: Specific code	ARAG Service Center GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
AU	391200MYFHRLCFWAH448AU10065	2: Specific code	ARAG Services Australia Pty Ltd., Sydney, Australia	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Proprietary limited company	2: Non-mutual	

Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if Art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
94.01%	94.01%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation

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Basic information							
Country	**Identification code of the undertaking**	**Type of code of the ID of the undertaking**	**Legal name of the undertaking**	**Type of undertaking**	**Legal form**	**Category (mutual/non-mutual)**	**Supervisory authority**
C0010	**C0020**	**C0020**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**
ES	391200MYFHRLCFWAH448ES10024	2: Specific code	ARAG Services Spain & Portugal S.L.	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Sociedad de Responsabilidad Limitada	2: Non-mutual	
US	391200MYFHRLCFWAH448US10060	2: Specific code	ARAG Services, LLC	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Limited Liability Company	2: Non-mutual	
FR	391200MYFHRLCFWAH448FR10043	2: Specific code	ARAG-France Assistance et Règlement de Sinistres Automobiles et Généraux S.A.R.L.	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Société à responsabilité limitée (SARL)	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10055	2: Specific code	Columbus Immobilien Fonds XVI GmbH & Co. KG	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung und Compagnie Kommanditgesellschaft	2: Non-mutual	
CH	391200MYFHRLCFWAH448CH10058	2: Specific code	AXA-ARAG Rechtsschutzversicherungs-Gesellschaft	2: Non-life insurance undertaking	Aktiengesellschaft	2: Non-mutual	Swiss Financial Market Supervisory Authority
DE	391200MYFHRLCFWAH448DE10015	2: Specific code	CUR Versicherungsmakler GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10017	2: Specific code	Cura Versicherungs-vermittlung GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
GB	391200MYFHRLCFWAH448GB10058	2: Specific code	Easy2claim Limited, Bristol/UK	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Limited	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE12014	2: Specific code	HelloLaw GmbH (operations discontinued)	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
NO	981877888	2: Specific code	HELP Forsikring AS	2: Non-life insurance undertaking	Aksjeselskap (AS)	2: Non-mutual	Financial Supervisory Authority of Norway
DE	391200GWEMT1F0BUHB43	1: LEI	Interlloyd Versicherungs-AG	2: Non-life insurance undertaking	Aktiengesellschaft	2: Non-mutual	German Federal Financial Supervisory Authority
DE	391200MYFHRLCFWAH448DE10057	2: Specific code	Justix GmbH (operations discontinued)	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
IT	391200MYFHRLCFWAH448IT10063	2: Specific code	Multiline Insurance Agency (MIA) S. r. l. (liquidated in December 2023)	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Private limited company	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10042	2: Specific code	Prinzregent Vermögensverwaltungs-GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10022	2: Specific code	SolFin GmbH	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	
DE	391200MYFHRLCFWAH448DE10019	2: Specific code	VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung	10: Ancillary services undertaking as defined in Art. 1 (53) of Delegated Regulation (EU) 2015/35	Gesellschaft mit beschraenkter Haftung	2: Non-mutual	

	Criteria of influence					Inclusion in the scope of group supervision		Group solvency calculation
% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if Art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
58.48%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
29.17%	29.17%	0.00%		2: Significant	29.17%	1: Included in the scope		3: Method 1: Adjusted equity method
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		10: Other method
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	100.00%	0.00%		1: Dominant	100.00%	1: Included in the scope		10: Other method
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method
75.10%	84.79%	0.00%		1: Dominant	100.00%	1: Included in the scope		1: Method 1: Full consolidation
100.00%	0.00%	0.00%		1: Dominant	0.00%	1: Included in the scope		10: Other method

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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ARAG

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