

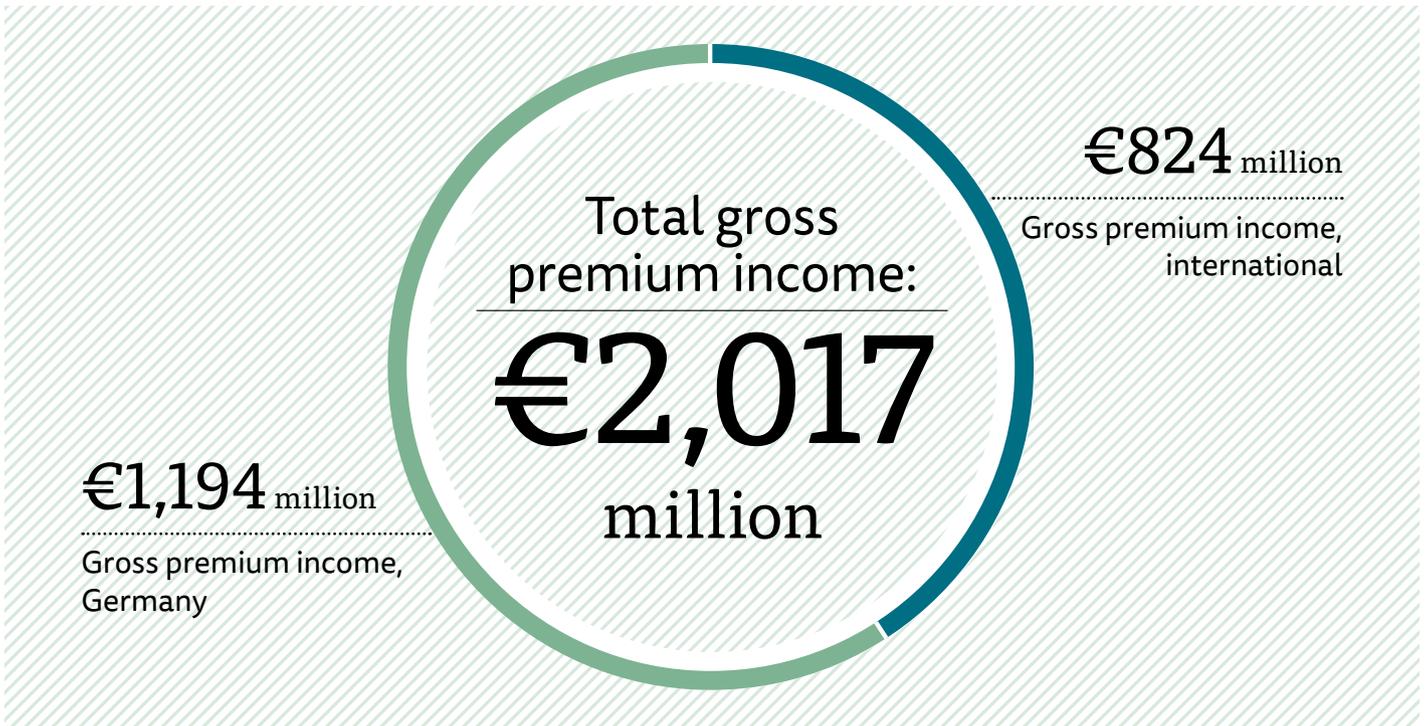
ARAG HOLDING SE

2021 Annual Report

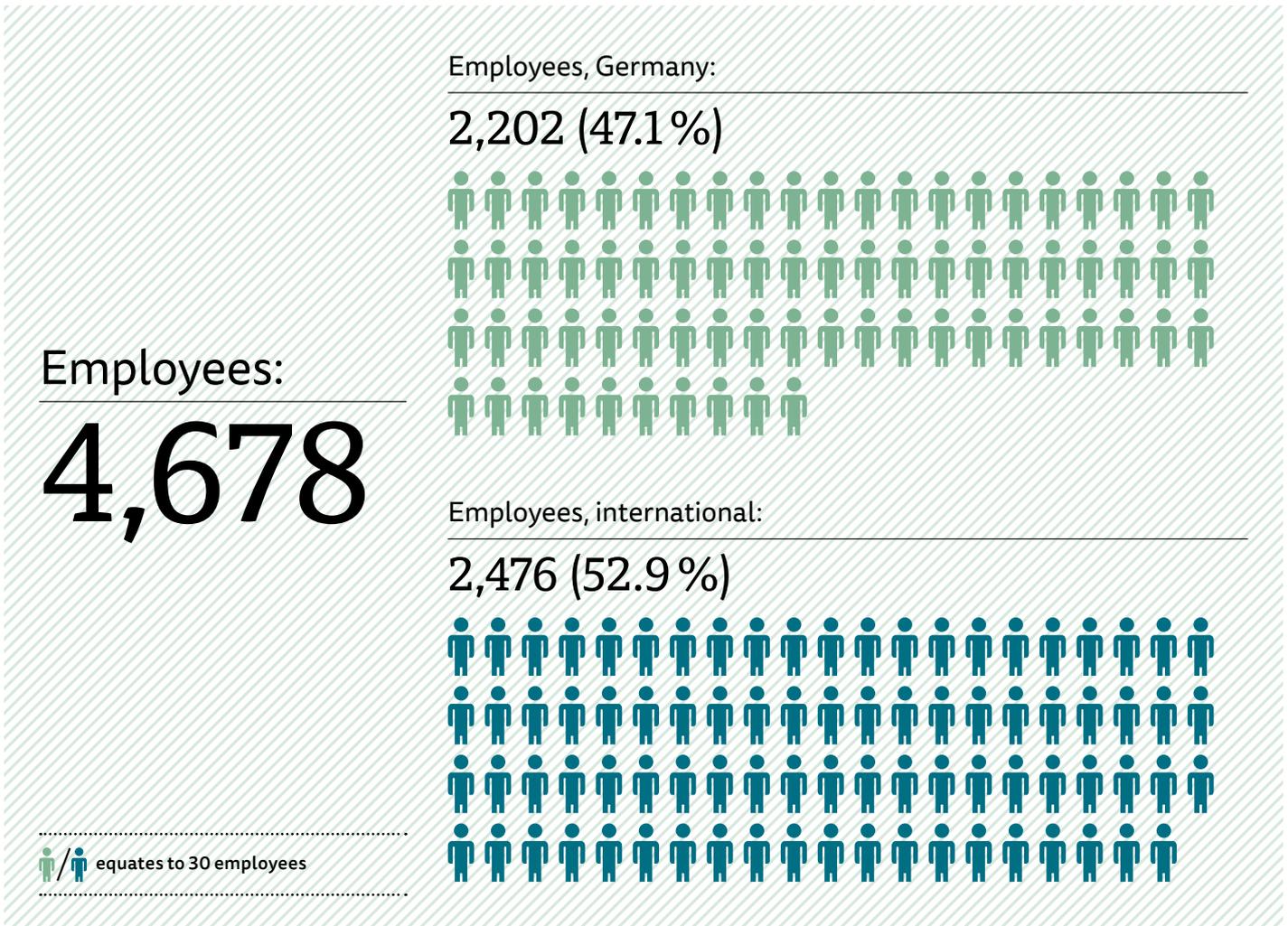
CONSOLIDATED FINANCIAL STATEMENTS



Gross premium income broken down by domestic and international business



Number of employees and breakdown



Key Figures for the ARAG Group

Premium income/sales revenue:

€ 2.04 billion

↗ 2020: €1.87 billion

Combined ratio:

89.2%

↗ 2020: 87.6%

Underwriting result net of reinsurance:

€ 118 million

↗ 2020: €112 million

Consolidated equity:

€ 614 million

↗ 2020: €574 million

Profit from ordinary activities:

€ 86.7 million

↗ 2020: €83.2 million

Consolidated net income:

€ 37.9 million

↘ 2020: €38.2 million

Insurance segments in the ARAG Group and their parent operating companies

Legal insurance ARAG SE

€ 1,258 million¹⁾

↗ 2020:

€ 1,155 million¹⁾

Personal legal insurance and legal insurance for motorists, employment, homeowners and tenants, businesses, trades, self-employed professionals, and associations

Casualty and property insurance ARAG Allgemeine Versicherungs-AG

€ 275 million¹⁾

↗ 2020:

€ 263 million¹⁾

Liability insurance, home contents insurance, accident insurance, accident disability insurance, Top Special Service Package, building insurance, pet health insurance, business insurance, sports insurance

Health insurance ARAG Krankenversicherungs-AG

€ 484 million¹⁾

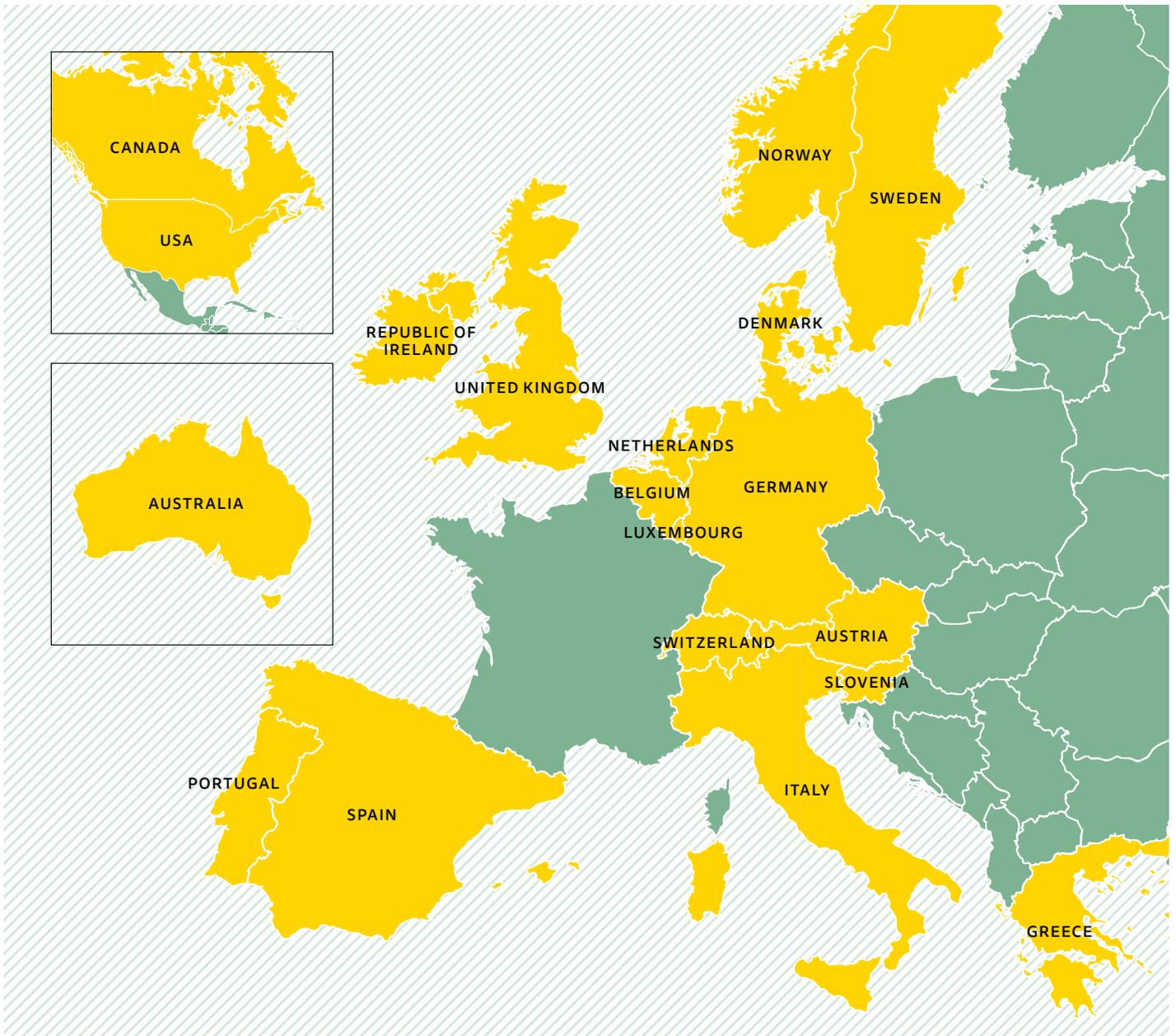
↗ 2020:

€ 430 million¹⁾

Private full-coverage health insurance, supplementary health insurance, long-term nursing care insurance, supplementary nursing care insurance, corporate health insurance, foreign travel health insurance

¹⁾ Gross premium income

Countries in which the ARAG Group operates



Accolades received by the ARAG Group (selection)

ARAG SE secured first place in the 'Insurance innovation of 2022' category with its ARAG Aktiv legal insurance at the Goldene Bullen awards of publisher Finanzen. The ARAG Group was a winner in various categories of the 2021 Plus X Award for innovation, which included being crowned 'Most innovative brand' in the service provider category for the sixth time in succession. For the eleventh time, www.ARAG.de was classed

as one of the best websites in the benchmark study of AMC Finanzmarkt GmbH, putting ARAG among the top ten German insurers. ARAG Krankenversicherungs-AG received various corporate ratings, including 'very good' from analysts Morgen & Morgen and 'excellent' from score-scoring. Focus-Business magazine, in cooperation with review platform kununu, again rated ARAG as one of Germany's top employers in 2021.

ARAG plc won the 'Managing general agent' award at the British Claims Awards and was recognized as one of the outstanding best companies in the UK's Best Companies To Work For awards. ARAG Ireland took the top spot in two categories in the 2021 Brokers Ireland Excellence Survey. ARAG Italy secured a top ranking in the 'Legal insurance for employment' category in the study Campioni del Servizio 2022 - Migliori

in Italia, published in newspaper La Repubblica. In a ranking of insurers by online platform MT/Sprout, ARAG Netherlands came second in the 'Customer focus' category and third in the 'Best service providers - insurers' category. HELP Forsikring AS took first place for Norway in the 'Small businesses' category of the 2021 Great Place to Work survey. ARAG Austria was named a 2021 'Industry champion' for its customer

service by Austrian consumer research institute ÖGVS. Among other awards, ARAG Spain was crowned the best legal insurance provider and the best travel assistance company by broker organization ADECOSE. ARAG North America was certified as a 'Center of excellence' for the twelfth time by BenchmarkPortal and recognized as one of the 'Best companies to work for' in the 2021 Top Workplaces awards.

ARAG Group

Asset and investment management

ARAG Holding SE

Operating Group Holding 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/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)

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Overview

ARAG Holding SE Key Figures – Consolidated Financial Statements

(€ million)	2021	Change	2020	2019
Sales revenue				
Gross premiums written	2,017.4	9.1%	1,848.7	1,763.5
Premiums earned net of reinsurance	1,986.7	8.1%	1,838.0	1,752.0
Sales revenue of non-insurance companies	25.1	9.1%	23.0	24.0
Expenses				
Claims incurred net of reinsurance	1,027.0	9.8%	935.6	936.5
Claims ratio (basis: premiums earned)	51.7%	0.8% pts.	50.9%	53.5%
Insurance business operating expenses net of reinsurance	744.7	10.5%	673.9	618.4
Cost ratio (basis: premiums earned)	37.5%	0.8% pts.	36.7%	35.3%
Net income overview				
Underwriting result net of reinsurance	118.2	5.5%	112.0	98.5
Gains and losses on investments	80.3	2.3%	78.5	156.9
of which included in underwriting result	51.3	6.8%	48.1	78.0
Other net income/expense	-61.3	3.7%	-59.1	-56.6
Profit/loss from ordinary activities	86.7	4.2%	83.2	119.9
Consolidated net income	37.9	-0.8%	38.2	77.5
Technical provisions/ net premiums earned	230.8%	-3.0% pts.	233.8%	233.2%

Profile of the ARAG Group

Overview

The ARAG Group is the largest family enterprise in the German insurance industry and the leading legal insurer worldwide. When it was founded over 85 years ago, the Company focused purely on legal insurance. Today, ARAG positions itself as an innovative and high-quality insurer that is international and independent. In addition to legal insurance, its portfolio in Germany includes highly effective, needs-based products and services covering casualty and property insurance and health insurance. The Company also aims to generate growth across all insurance segments in Germany and to exploit the potential for expansion in the international legal insurance business. It generates sales revenue and premiums of more than €2.0 billion and employs around 4,700 people.

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

Legal insurance

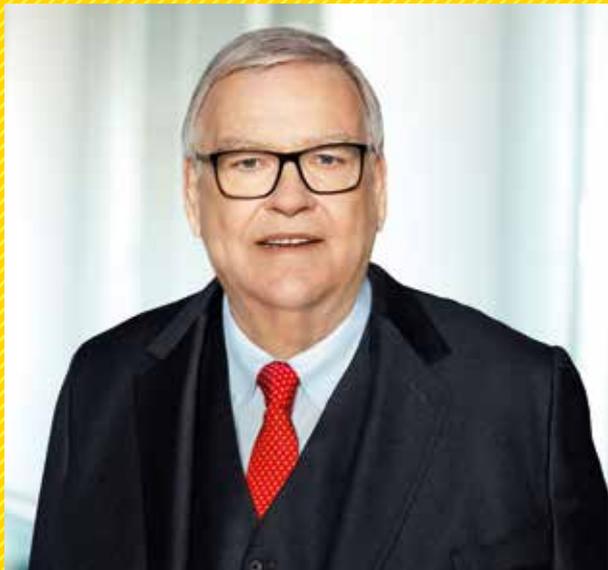
In its core legal insurance segment, ARAG is growing rapidly in both Germany and abroad and plays a major role in shaping its markets with innovative products and services. The international legal insurance business is the Group's most significant area of activity. Worldwide, the Group helps its legal insurance customers with over 900,000 cases per year, thereby playing its part in resolving sometimes existential legal problems.

Casualty and property insurance

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

Personal insurance

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



Dr. Dr. h. c. Paul-Otto Faßbender

Introduction

For years, the ARAG Group has focused on action and excellence in order to deliver for its customers. The extent to which the entire ARAG team has taken this maxim on board is reflected in our results for 2021: We can look back on one of our most successful years ever. The ongoing pandemic and the dreadful flooding in western Germany in summer 2021 affected the Group, but not in the way we expected: Our customers need us and rely on our support and protection. We are there to help them. And in emergency situations, we even step in where no insurance cover is in place. For example, we used a fund of €1 million to offer rapid and unbureaucratic help to customers without natural disaster cover who were badly affected by the flooding.

Another of our guiding principles is that we continue to invest in the Company. We invest in our processes, in our digital infrastructure and, above all, in the people whose tireless efforts write the ARAG success story: our employees. Of course, this costs us money, but it is worth it. Ultimately, it makes us more competitive too.

Consumers recognize our hard work. In Germany alone, we acquired more than 91,000 additional customers in 2021. As a result, our premium income increased at the exceptionally strong rate of 9.6 percent. Our international premium income also rose sharply, by 8.5 percent. Overall, the ARAG Group's premium income grew by a record 9.1 percent to over €2 billion. This means that, in 2021, we already achieved the growth target that we had set ourselves for the end of 2022. Our customer base is expanding both in Germany and abroad, making ARAG the leading legal insurer worldwide. This is a great success for us and is proof positive of ARAG's capabilities.

At ARAG, strong growth and high profitability are not mutually exclusive, as can be seen from the record level of underwriting profit reported by the Group once again. In short, we are a master of our business, both in Germany and in the international markets.

The better that our business performs, the more confident we can be that we have learned appropriate lessons from previous market crises and taken the right course of action. ARAG's focus on legal and health insurance business is enabling it to unlock its full potential.

Our modern and robust structure is crucial if the Group is to continue looking confidently to the future in a world that is in a permanent state of crisis. We are also aware that the war in Ukraine is changing the existing world order and economic order. It is likely that we too will feel the effects of this in our business. We will therefore be all the more resolute in pursuing the many opportunities available in our markets in order to help ARAG to flourish, all while maintaining a firm focus on our customers and their needs.



Dr. Dr. h. c. Paul-Otto Faßbender

The ARAG Group at a Glance

What makes the Düsseldorf-based ARAG Group unique is that it is the largest family-owned insurance company in Germany. ARAG is independent, innovative, and internationally successful. The fundamental idea behind the foundation of ARAG back in 1935 was that all citizens should be able to assert their legal rights, irrespective of their financial situation. This idea is more relevant today than it has ever been. This corporate mission of establishing equality of opportunity for everyone and providing customers with the right support through every phase of their life lies at the heart of the ARAG Essentials, the corporate principles of the ARAG Group. It is also reflected with the same degree of emphasis in ARAG's extensive portfolio of products and services. Equality of opportunity before the law is also at the center of the advertising campaign that was launched in the reporting year and is continuing in 2022. Featuring the slogan 'ARAG. It's your right', the campaign is running on high-reach TV and online video channels. In addition to the advert that highlights the brand, there are also two product-specific adverts for ARAG legal insurance for tenants and legal insurance for employees. These two subjects are particularly relevant to people at the moment due to the impact of the COVID-19 pandemic.

A strong position

ARAG maintains a clear focus on the needs of consumers and customers in its domestic and international markets. These needs are undergoing rapid change as a result of digital transformation and the COVID-19 pandemic. From the very beginning, the Group has continually expanded its innovative portfolio of products and services, always aiming to address shifting customer expectations. Demand for legal assistance and support has risen markedly as a consequence of the pandemic. In 2021, ARAG therefore again focused on expanding its broad range of information, advisory, and support services for both customers and non-customers.

Across all divisions, the Group regards itself as a multifaceted provider of high-quality insurance that does more than simply reimburse costs and instead offers suitable prevention and assistance along with smart services. Legal insurance is traditionally the strong core business of the Group, which is headed up by ARAG SE. ARAG plays a major role in shaping the legal insurance market, both in Germany and abroad, with innovative products and services. For years now, the international legal insurance business has been the Group's most significant area of activity. The units outside Germany involved in this business are a valuable source of impetus for the Group's growth. At the same time, ARAG SE is on a clear path to success in its German domestic market, where it is steadily acquiring new customers. There was a further net increase of just over 91,000 in the number of new customers in Germany, even though conditions remained challenging because of the pandemic.

In Germany, the Group's legal insurance offering is complemented by a wide variety of products and services that focus on customer needs and added value in the areas of private health insurance and casualty and property insurance. These divisions are successfully run by the independent Group companies ARAG Krankenversicherungs-AG and ARAG Allgemeine Versicherungs-AG. ARAG Krankenversicherung (ARAG Health) offers a broad range of products with outstanding customer benefits, emphasizing its appeal as one of the best providers of full-coverage and supplementary health insurance. In its fiercely competitive market, ARAG Allgemeine is demonstrating its strength as a competitive provider of property, liability, and accident insurance policies.

Dedication to sport

As Europe's largest sports insurance provider, ARAG Allgemeine plays a unique role. It offers specialized insurance cover for around 20 million recreational sports participants and top-ranking athletes in around 77,000 sports clubs and associations. Tailored group policies entered into with 15 regional sports associations across Germany provide the affiliated clubs and associations with appropriate insurance cover for their staff and all members.

As a partner for sport, ARAG has been championing sports accident and injury research and prevention in Germany for decades. In 2015, the 'Sicherheit im Sport' foundation was established to promote safety in sports by ARAG Allgemeine Versicherungs-AG alongside distinguished partners from the fields of science, sport, business, and politics, including the North Rhine-Westphalia State Sports Association (LSB NRW) and sports insurance broker Himmelseher. The aim is to coordinate, pool, and professionalize the joint activities being undertaken to prevent sports accidents. Ultimately, this should make sport even safer for recreational sports participants and top-ranking athletes alike. ARAG is the foundation's largest sponsor.

International success

The Group's international business is crucial to its continued success, and more than half of the total workforce of around 4,700 employees is now based outside Germany. Moreover, the international markets account for just over 40 percent of the Group's sales revenue. The internationalization strategy is enabling ARAG to break into new, fast-growing markets and strengthen its position in existing markets. Today, ARAG is the leading legal insurer worldwide, with premium income of more than €1.2 billion in its core division. Including Germany, it operates in a total of 19 countries through branches, subsidiaries, and equity investments. It officially launched business operations in two further markets in 2019: Australia and the Republic of Ireland. In 2021, ARAG Services Corporation in Canada acquired the former market leader DAS Legal Protection Inc. ARAG SE's Canadian subsidiary, founded in 2016, has strengthened its market presence and broadened its activities by taking over the legal insurance portfolio and the 37-strong DAS team. With effect from January 1, 2022, ARAG Services Corporation was merged with ARAG Legal Solutions Inc., which now operates the business in Canada under this name.

ARAG Smart Insurer Program

In 2018, the ARAG Group launched a holistic development strategy for its German and international operations entitled 'Smart Insurer Program'. The objective of the program is to seize the opportunities presented by digitalization and continue to reinforce the independence of the Group with a clear focus on customers and the changes in their requirements.

This program-based approach consists of a broad range of different measures that the Group has already initiated. ARAG's declared intention is to turn itself and its Group companies into a 'smart insurer'. The strategy focuses on three core themes:

- **Smart Services** in order to expand digital customer services, products, access methods, and communication channels
- **Smart Data** to make even better use of data for the benefit of the Group's business
- **Smart Culture** to strengthen ARAG's corporate culture for the digital age

All teams in ARAG Group companies in Germany and abroad were involved in determining the areas for action using a bottom-up process. The units were required to specify core measures that they thought were necessary from their perspective to help them implement the requirements under the ARAG Smart Insurer Program. The Group Management Board evaluated and prioritized the proposals – a total of 85 core measures – before specifying seven fundamental action areas. The implementation of the associated projects was initiated back in 2019 and progress accelerated in the reporting year.

Some of the first specific outcomes in the Smart Services category are newly developed chatbots, such as those related to COVID-19 (see the section 'Innovation'). In the Smart Data category, a standardized digital reporting system has been implemented for the ARAG Group as part of the TranspARAGcy project. The Smart Analytics project is gathering the data available throughout the Group into a data lake so that the data can be made accessible at all times and used quickly and easily, taking into account data protection requirements. A key milestone in the Smart Culture category was a groupwide employee survey aimed at recording and analyzing the corporate culture in the Group. The findings formed the basis for a complete revision of the ARAG Group's corporate principles (see the section 'Corporate responsibility – ARAG Essentials'). The revision was completed at the beginning of the reporting year. This was then followed by a process of communicating and implementing the new ARAG Essentials throughout the Group. The groupwide survey was repeated in 2021 to assess how the corporate culture had developed. The increasing use of agile working methods (see the section 'Innovation'), for example, and new, virtual approaches to learning and information-sharing (see the section 'Corporate responsibility – employees') are also changing the Group's corporate culture.

The ARAG Smart Insurer Program was completed on schedule at the end of 2021. It generated so much momentum that the teams now regularly launch new initiatives. Digitalization is now standard practice.

Innovation

Exploring the unfamiliar, trying out the new, and advancing without fear: These are the drivers of the many different innovations in the ARAG Group. The family enterprise is demonstrating that it is flexible, adaptable, and proactive as it squares up to the challenges of the digital age. Everything centers around the dramatically changing needs and requirements of customers and consumers. In 2021, this could again be seen from the numerous innovative and groundbreaking ideas for products and services. It is increasingly using key technologies, such as data mining and data analytics, in order to identify customers' individual wishes at an early stage and then develop tailored solutions.

COVID-19 continued to be the dominant force in the reporting year. The pandemic created conditions in which ARAG was once again able to demonstrate the strength of its capabilities in terms of speed, flexibility, and innovation. The Group systematically expanded its product portfolio and range of digital services for the benefit of customers. ARAG also provided rapid, proactive help in the wake of the devastating floods that hit Germany in summer 2021. The Group offered immediate support, paying emergency funds to its insured customers quickly and without bureaucracy. It also used a hardship fund of €1 million to help customers without natural disaster cover who were badly affected by the flooding. ARAG thus once again led the way, with a number of competitors adopting the same model. In addition, it offered a free initial telephone consultation on legal matters for anyone affected by the disaster, including non-customers and people helping with the relief effort.

ARAG launched a multitude of innovative insurance solutions in the German market in the year under review, true to its focus on action and excellence in order to deliver for its customers. The success of its proactive product work is manifested in seven new ARAG products. Following the fundamental update of the ARAG product range in its core legal insurance division and simultaneous launch of the enhanced ARAG Recht&Heim, a bundled product providing all-round cover, at the start of 2021 (see the section 'Products'), ARAG made its mark in the markets by introducing further new products in other divisions over the course of the reporting year. For example, the significantly expanded ARAG personal liability insurance and ARAG home contents insurance offer a wealth of innovative benefits, including ones that reflect the digital aspects of modern life. Like the new ARAG Top Special Service Package, they also incorporate features relating to the increasingly important issue of sustainability. A new supplementary hospital rate scale, ARAG Med-Klinik, was launched in November 2021 and boasts a modern, greatly expanded range of benefits and bespoke cover (see the section 'Products').

The Group tapped into a completely new line of business – and thus a growing market – in mid-August when it introduced its first pet health insurance for cats and dogs. ARAG Allgemeine, the Group's casualty and property insurer, is offering health insurance and access to high-quality, state-of-the-art veterinary care for customers' four-legged friends, including unique product components and services such as online vet consultations. The very comprehensive cover offered by ARAG TierProtect Premium was immediately crowned a winner in a consumer product test (see the section 'Awards'). The

product's unique selling proposition consists of numerous legal benefits relevant to pet owners. This is also the case for ARAG TierProtect OP, which covers the cost not only of surgical procedures but also of pre-operative and post-operative examinations.

ARAG also demonstrated its innovativeness when it comes to the use of digital technologies by launching new products across all divisions. For example, a new health management service as part of ARAG health insurance closes a gap in the market. Bespoke care is offered through strategic partners Medgate and BetterDoc: After a telephone or video consultation with a doctor through Medgate, customers can ask for a direct referral if necessary. BetterDoc helps them to find and arrange an appointment with a suitable local specialist for their condition or to get an independent second opinion.

The key topic of digitalization was a priority in other areas and units of the Group too and now forms an integral element of the business model. The Smart Insurer Program (see the dedicated section), which reached a successful conclusion in 2021, has enabled ARAG to break through an important innovation threshold. This is evidenced by the numerous digital services integrated into nearly all business processes, both directly customer-facing processes and entirely back-office processes. They range from the international exchange of KPIs in real time to the internal development of all kinds of chatbots that ARAG uses in its contact with customers. These make significant use of aspects of artificial intelligence (AI) and learn from each new question. For example, intelligent chatbots help customers to navigate on the home page and the product-specific pages at www.ARAG.de. In 2021, a new smart insolvency assistant made its debut. The bot is based on extremely innovative technology and, for example, guides customers through the process of completing the claims form in the event of insolvency. The OWI 3.0 application supports customers and non-customers on the ARAG website if they commit traffic offenses, shows them the expected fine or driving ban, and immediately offers a variety of possible solutions. The new enhancement to the tool enables the user to take a photograph of the fine notice directly from the smartphone on which the app is installed.

Since the start of the year under review, the first internal ARAG chatbot has been in use in the area of human resources. The chatbot enables employees to log their working hours. The Group now works with a total of nine bots in Germany and 19 across Europe. The innovative bots of ARAG's international branches and subsidiaries include automated solutions geared specifically to brokers and for dealing with various legal problems.

The ARAG Group was again able to boast a huge breadth of technical innovation in the reporting year. All of the new features are designed to provide customers with swift and efficient assistance. In Germany, for example, large-scale voicebot integration was achieved for the first time and has been supporting ARAG Customer Service in its day-to-day work since summer 2021. This voice-based dialogue system asks for the insurance policy number and relevant customer data in order to authenticate the caller. There have also been numerous developments in the international business. A prime example is the introduction of video legal advice at ARAG Spain, where it is setting new standards in the local market. Customers can talk directly to the Spanish subsidiary's inhouse attorneys by video link. On-screen consultations on legal matters have shown that complex legal issues, in particular, are better dealt with face to face.

COVID-19 forced the Group to switch to agile, mobile ways of working at a much more rapid pace and has shown that employees can still perform well when working remotely. In view of this new reality for the world of work, a new company agreement on remote working came into effect in September 2021. As the next step, an innovative workspace strategy was developed under the auspices of the FANTA project (a project to create a flexible approach for workplaces and teamwork at ARAG) at the end of 2021. The strategy focuses on implementing a shared desk model, thereby using the available office space more effectively. Employees at the Düsseldorf campus began to move office in February 2022, and the process is due to be completed by the end of the year. Preparatory talks have been ongoing at ARAG's Munich site since the start of 2022 with a view to adapting the workspace arrangements.

New Work, networking, and collaboration are also the subject of ARAG's forward-looking #einfachmalanders initiative (#doitdifferently), which has now been running for four years. In 2021, the initiative once again encouraged a sense of experimentation and dialogue between employees through all kinds of digital formats, inspirational online talks, and virtual sessions. For the first time, network formats extending beyond Germany enabled international ARAG employees to get involved too.

ARAG Core Sales, the ARAG Group's captive sales organization, is continuing to benefit significantly from the advisory app launched in 2019, which was upgraded again in 2021. The year under review also saw the introduction of the next enhancement, the new lead management and quote management tool. This innovation provides ARAG Partners with strategic prompts that can be used to contact existing and prospective customers. By the end of 2021, the number of leads was well into six figures. The tool also makes it much easier to produce and save new quotes.

Both for its captive sales organization and its international sales teams, the Group put together an extensive package of virtual learning formats that are designed to help employees to communicate with and advise customers digitally during the pandemic. The training continued to be rolled out in 2021 and was used by sales teams in Europe and Australia.

Accolades

The ARAG Group was once again honored in the reporting year with the distinguished Plus X Award for innovation in recognition of the Group's special innovative strength. It is the sixth time in succession that ARAG has been designated 'Most innovative brand' in the service provider category. In addition, the new ARAG Aktiv legal insurance, which was launched at the end of February 2021 for private individuals and the self-employed (see the section 'Products'), was named a winner in the 'Transparency' and 'Scope of services' categories by an independent panel of experts. The ARAG Recht&Heim all-round cover product was also singled out, receiving the Plus X Award in the 'Innovation', 'Transparency', and 'Scope of services' categories.

ARAG's position as an innovative and high-quality insurer was underlined at the German Insurance Awards, one of the biggest consumer product tests for insurance in the German market. The Group secured four first places. ARAG was the winner in its core legal insurance business. And ARAG health insurance did extremely well in the awards, winning with its standard and top cover levels for full-coverage insurance and with its inpatient rate scales for supplementary health insurance. The test was carried out by rating agency Franke und Bornberg, news channel n-tv, and the German Institute for Service Quality (DISQ).

The Group again won numerous other awards and top ratings, reflecting the high quality of its services and benefits. Here are just a few examples. In a study published by Deutschland Test and Focus-Money in November 2021, ARAG was crowned 'price winner' across all product categories. The study looked at the value for money offered by 13 major insurance providers. ARAG was awarded 'gold', the highest classification. It also scored well in other studies by business magazine Focus-Money, including a rating of 'very good' in the 'Fairest legal insurance provider' class. In 2021, the same business magazine looked at which insurers process applications for benefits without hassle, transparently, and fairly. ARAG was again designated 'Fairest company for claims settlement' with a rating of 'very good' in three separate legal insurance categories. The independent DISQ handed out accolades for the outstanding insurance products of 2021 in October. Here too, ARAG won three awards, with legal insurance for private individuals, legal insurance for the self-employed, and the new ARAG Top Special Service Package all being designated among the insurance products of the year.

The new generation of ARAG legal insurance products was certified by product standards regulator TÜV Saarland and given top scores in the reporting year. In the extensive test, which was partly based on customer surveys, the Premium and Komfort versions of ARAG Aktiv legal insurance – both for the self-employed and for private individuals – were assessed as 'very good'; the Basis rate scales were assessed as 'good'. ARAG legal insurance was also impressive in product analyses by rating agency Franke und Bornberg, which awarded a top score of 'outstanding' for the Premium rate scale for families and the Komfort rate scale for individuals. In another rating by Franke und Bornberg in the 'All-round cover' category, the ARAG Recht&Heim bundled product also achieved a score of 'outstanding'.

The new products launched by casualty and property insurer ARAG Allgemeine also received various awards and top ratings in the year under review. ARAG TierProtect, the new pet health insurance (see the section 'Innovation') for dogs and cats, scored 1.9 in a product comparison by consumer magazine IMTEST and was thus the highest placed of the top five rate scales for pet health insurance.

The significantly expanded ARAG home contents insurance also performed well immediately after its market launch and was recognized as 'Product of the month' by trade journal Focus-Money-Versicherungsprofi in December 2021. The new ARAG Top Special Service Package achieved the same honor and was crowned 'Product of the month' in July. The innovative ARAG liability insurance and ARAG home contents insurance both performed extremely well in product ratings by analyst ascore thanks to their many stand-out features and unique benefits. The Premium version (for families) of the new ARAG liability insurance secured the top rating of 'outstanding', while the Komfort version was classed as 'excellent'. Similarly, the Premium version of the new ARAG home contents insurance was rated 'outstanding' and the Komfort version 'excellent'.

ARAG health insurance again won many awards in the reporting year, in addition to the aforementioned excellent performance at the German Insurance Awards. For example, it was designated 'Fairest company for claims settlement' by Focus-Money. The ARAG MedExtra and ARAG MedBest full-coverage health insurance rate scales were each given a top rating of 'outstanding' by analyst ascore. Business magazine *€uro* awarded a score of 'very good' to the combined rate scale ARAG MedBest/deductible level 0/private nursing care insurance rate scale PVN. Various corporate ratings also underline ARAG Krankenversicherungs-AG's strong performance. It received four stars – a rating of 'very good' – from analysts Morgen & Morgen, while ascore-Scoring awarded it five 'compasses' ('excellent'). In a test of company quality conducted by Deutsches Finanz-Service Institut GmbH (DFSI), it took sixth place with a score of 1.3 ('very good').

The Group is also at the forefront in Google searches. A study published by digital agency Mediaworx AG in 2021 shows that, since 2020, ARAG has been the most searched-for legal insurance provider on what is the leading search engine in Germany. This outstanding achievement highlights the relevance and high profile of the ARAG brand and emphasizes the success of the Group's brand communications and comprehensive online presence. www.ARAG.de remains one of the best websites in the sector, as confirmed by a 2021 benchmark study by AMC Finanzmarkt GmbH. For the eleventh time, www.ARAG.de was classed as one of the best websites, putting ARAG among the top ten German insurers. The Group's email marketing is also highly effective, as demonstrated by the first place in the financial sector awarded in a study by the German Dialogue Marketing Association (DDV) and absolut Consulting. In the 2021 Email Marketing Benchmarks, the email marketing of more than 5,000 leading companies from nine sectors in Germany, Austria, and Switzerland was analyzed.

The ARAG Group continued to pick up accolades as an employer as well. Focus-Business classed ARAG as one of the top employers of 2021. In the magazine's list of the best ranked companies, compiled in collaboration with review platform kununu, ARAG was again almost at the summit and achieved second place among insurance companies of a similar size, as it had in 2020.

Products and portfolios

As an international insurer of considerable renown with innovative, high-quality insurance products, ARAG's stated aim is to offer smart solutions that provide rapid, straightforward, and pragmatic help. The Group's ideas are not limited to traditional insurance policies and it always flexibly tailors its user-friendly products and services to the specific requirements of customers in their day-to-day lives. In 2021, the Group added even more innovative benefits and great services to its portfolio, both in Germany and abroad.

In its core legal insurance division, ARAG successfully went to market with its updated ARAG Aktiv legal insurance, to which a wealth of new benefits has been added, and with the enhanced ARAG Recht&Heim, a bundled product providing all-round cover. These two product lines now include even more benefits, services, and support. During their development, a large number of the units within the ARAG Group contributed their expertise, including product development, legal and claims service, all sales channels, and data analytics. As a result, customers can benefit from further price reductions thanks to new smart pricing features.

For example, the Basis version of the legal insurance offering for price-sensitive customers was completely redesigned. It now also provides protection in relation to key out-of-court areas of cover. The entire new generation of legal insurance cover offers an enhancement of the existing unique selling proposition – such as legal insurance following a model case procedure or the inclusion of cover for maintenance payment disputes in the Premium version – along with additional innovative benefits. One example is the integrated anti-stalking legal insurance included in the Komfort and Premium versions. The Premium version now also includes (retrospective) cover following a model case procedure. Only ARAG offers such cover. In addition, commercial legal insurance and the ARAG Recht&Heim all-round cover product, which combines the top benefit components from legal, liability, and home contents insurance in one policy with an option for residential buildings cover, has been updated with plenty of innovative features. The updates include a new no-claims-discount saver.

In addition to innovative products such as the new pet health insurance with the two benefit packages ARAG TierProtect and ARAG TierProtect OP (see the section 'Innovation'), there is an increasing emphasis on sustainability in more and more products. This is clearly illustrated by the ARAG Top Special Service Package, which ARAG Allgemeine launched on the market in May 2021. The package includes new benefit components as well as sustainability elements. For example, the ProKlima element benefits electric car drivers and customers who travel by train or local public transport because they receive a 5 percent discount on their premiums throughout the term of the policy. This is a unique offering in the market. Environmentally conscious bus and train passengers have other advantages too: For example, ARAG arranges alternative travel options or accommodation if a train is delayed or cancelled. If an electric car's battery is empty, ARAG will arrange transport to the nearest charging point.

Launched in November 2021, the new ARAG MedKlinik rate scales from ARAG health insurance offer excellent benefits, enabling those with statutory health insurance to obtain even more comprehensive cover for a hospital stay that is better tailored to their

needs. The two rate scale lines, ARAG MedKlinik L and ARAG MedKlinik S, are available as a one-bed or two-bed room option and include treatment from a senior consultant. They offer the same benefits but differ in terms of how the cost is calculated. MedKlinik S is costed on a basis similar to that for non-life insurance – without provisions for increasing age – and is thus very attractively priced, especially for young people. The benefits for families include rooming-in, cover for the cost of a family room during childbirth, or transfer to the patient's preferred hospital.

ARAG also significantly expanded its liability insurance and home contents insurance in 2021, focusing on current issues such as digital risks, sustainability benefits, and family cover. For example, children continue to be covered by the insurance policy while they are waiting for a place on an apprenticeship or degree course or if they cannot find a job after completing their training. The sums insured were increased in all three rate scale lines (Basis, Komfort, and Premium). For example, the figure for damage to property and financial loss was raised to up to €60 million in the Premium version. The latter also offers additional benefits for drivers using a vehicle that they have borrowed from someone else. ARAG Allgemeine's new generation of home contents insurance offers better cover for the digital aspects of modern life. For example, the new Komfort and Premium versions cover loss resulting from fraud in the context of fake online shops. Work-related items, such as equipment used for work, are also insured. There is a new optional add-on for comprehensive bicycle insurance, including a bicycle special service package.

Many of these highlights are also included in the ARAG Recht&Heim all-round cover, which was enhanced once again in the reporting year and has been updated with new digital features and even sustainability components. Launched in May 2022, it is a combination of legal insurance, liability insurance, and home contents insurance, with residential buildings cover as an optional add-on. The Premium version now includes fully comprehensive, mandatory cover for all of the household's cellphones, tablets, and smart-watches. Theft of cryptocurrencies up to an amount of €1,000 is also covered. In 2021, two new legal insurance product versions were developed that offer immediate assistance to private individuals. Featuring alongside the new ARAG Recht&Heim product generation and available in the Komfort and Premium versions since mid-February 2022, they provide one-off, direct out-of-court help to customers with an existing, acute legal problem after signing an agreement. This even includes past legal insurance cases and encompasses all areas of the law, regardless of the area of cover selected. The sum insured is €500 in the Komfort version and €1,000 in the Premium version.

The customer portal 'Meine ARAG 2.0' has been updated with more content, a fresh new look, and a simplified registration process. It is now used by more than 136,000 customers. Rolled out in 2019, the portal has been progressively enhanced with new functions since then, including in 2021. In addition to details of policies and claims, the new 'Services' section offers customers a compact overview of all the services available in connection with their policies. There is also a new feedback function and a fully digitalized process for customers registering for the first time.

International product work

The ARAG Group also performed impressively in international markets via its branches, subsidiaries, and equity investments in 2021 thanks to numerous innovative, value-adding products and services, as demonstrated by these selected examples:

In September 2021, ARAG Spain went to market with a new cyber product, ARAG Protección Digital, which offers optimum digital (legal) cover for the whole family. Benefits range from criminal defense, the bringing of data protection claims, and restoration of hard drives to the geolocation and blocking of smartphones and computers. In the year under review, ARAG SE's Spanish branch developed a product aimed specifically at homebuyers, which is to be launched in 2022. It includes legal insurance and legal advice benefits and is primarily to be marketed as part of a partnership with *idealista*, a Spanish realtor. Moreover, ARAG Spain worked closely with data analysts at the Group's headquarters in Düsseldorf to update its landlord legal insurance and develop smart rate scales.

In 2021, ARAG Italy overhauled its family legal insurance product, which involved combining various types of cover to create new modules. A new retro service has been incorporated in addition to benefits relating to transportation, family legal insurance, and legal insurance for employment. The retro service means that customers can obtain legal advice for a claim that had already occurred when the policy was taken out. The product will be launched on the market in the second quarter of 2022.

In September 2021, ARAG Netherlands rolled out its redesigned personal legal insurance product, which is specifically geared to online sales. With effect from January 1, 2022, ARAG SE's Dutch branch also entered into a partnership with insurer Unigarant, which is a subsidiary of the Royal Dutch Touring Club (Koninklijke Nederlandse Toeristenbond, ANWB). As a result, ANWB members now benefit from all the main benefits of ARAG personal legal insurance.

HELP Forsikring AS, ARAG SE's Norwegian subsidiary, entered into a five-year agreement with LO – the national umbrella organization for labor unions – on April 1, 2021. All 21 labor unions and their approximately one million members will benefit from the partnership and thus from HELP family legal insurance. In June 2021, HELP began offering WebHelp products, which include cover for identity theft and the new safe online shopping product, under its partnership with telecommunications company ICE.

HELP Försäkring Filial, the Swedish branch of the Norwegian subsidiary HELP Forsikring AS, developed Sweden's first fully featured commercial legal insurance product in 2021. In addition to employment legal insurance for companies, it also provides a number of private legal insurance benefits for company owners, such as cover for identity theft or loss of their driver's license. The product is sold together with liability insurance and property insurance from Swedish insurer Moderna.

HELP Norway's Danish subsidiary, HELP Forsikring Filial, followed in its footsteps in the spring by entering into an agreement with mobile communications company Telenor, enabling Telenor's 2.1 million customers to benefit from HELP legal insurance cover for identity theft and cyberbullying.

In the year under review, ARAG Austria updated its legal insurance rate scale for doctors. The product was launched at the start of 2022 and includes new legal insurance benefits and services. ARAG plc, the Bristol-based UK subsidiary of ARAG SE, modified a number of products – particularly those offering legal insurance for motorists – due to changes in the law.

In 2021, ARAG USA introduced special diversity and inclusion cover in response to the wishes and demands of customers who identify with the LGBTQIA+ community (lesbian, gay, bisexual, transsexual, queer, intersex, asexual). The new cover includes tailored legal insurance benefits, such as legal support when drawing up a life partnership agreement, advance directives on medical care, or approval for hospital visits as well as help with the legal process of changing one's gender identity on official documents or changing one's name.

ARAG Services Australia Pty Ltd overhauled its legal insurance products in 2021, making them more flexible by providing additional options in respect of deductibles and sums insured. ARAG SE's Australian subsidiary has also developed tailored, industry-specific legal insurance products, such as for engineers, beauticians, and sole traders. Working with Topsail Insurance, it offers cover for owners of private boats too. Another partnership has been formed with Insurance Advisernet, a major umbrella organization for brokers. The organization's head offices have been benefiting from ARAG business legal insurance since February 2021.

ARAG Services Corporation, the Canadian subsidiary, entered into a highly promising partnership with innovative online broker Zensurance in the reporting year. Zensurance will include ARAG commercial legal insurance as a mandatory component in its insurance package from the second quarter of 2022. Thanks to the partnership with Economical Insurance, the legal service benefits offered by ARAG Canada – such as the initial telephone consultation and the document center – have been included as mandatory for Economical Insurance's small and medium-sized enterprise customers since the end of 2021.

Sales organization in Germany

In the new Group area of responsibility established in 2017, Sales, Products and Innovation, all sales channels work together and enable ARAG to leverage valuable synergies.

The Group's sales organization makes a fundamental contribution to ARAG's business success in Germany. ARAG Core Sales is the traditionally strong sales channel selling ARAG products exclusively: Some 950 ARAG Sales Partners across Germany use the network of over 105 main branch offices and other branch offices to provide customers with professional, face-to-face support and advice at local level.

The focus continues to be on a holistic approach to advice and support. For customer visits, this is available to ARAG Sales Partners digitally via a proprietary advice app for tablets. In recognition of the advance of digitalization and the ARAG Group's focus on sustainability, applications for legal, property, liability, and accident insurance have not been printed out since 2018. Core Sales also uses digital touchpoints for greater connectivity, whether for contact with customers or to sign up new sales partners.

A new, entirely digital sales process for ARAG Core Sales was developed in 2018 and rolled out in February 2019. When meeting with customers, ARAG Sales Partners can now use a seamless process on an iPad to provide the full range of advice across the extent of the customer's risk situation up to the point at which the customer enters into an agreement. At the end, the customer receives the completed advisory documentation. In this regard, the ARAG Group invested extensively in a new digital infrastructure for its core organization. ARAG Sales Partners are therefore a key component of the Group's digitalization strategy. This was also reflected by developments in 2021. The COVID-19 pandemic again had an impact on customers and accordingly on advisory processes in the year under review. However, ARAG Sales Partners were very well positioned thanks to the digital processes previously introduced, including the option of providing advice by video call.

Use of the holistic approach to insurance advice is an integral element of the basic training delivered by ARAG Sales Training. The broad-based and regularly updated range of courses from ARAG Sales Training ensures the sales managers and exclusive agents receive high-quality training and development covering ARAG and its products. The aim of the holistic advice is to clearly establish the customer's current situation and needs regarding insurance and then to develop precisely tailored solutions, taking into account all statutory requirements.

Communicating via social media has become increasingly important in recent years, and dedicated channels are now in place for each target group. For this reason, a key focus in 2021 was on expanding the use of social media as a sales partner communication channel. To this end, the #ARAGvorOrt initiative (#ARAGlocally) was established to help the sales partners with their social media presence. It includes content that is ready for posting, training courses and workshops, and advice for sales partners on producing their own content.

ARAG Partner Sales is ARAG's successful sales channel specializing in brokers and non-exclusive agents. It has a wealth of experience in working with a variety of target groups, from specialist brokers to pool structures and sales outfits. Streamlined structures and processes minimize the effort involved for agents, while knowledgeable contacts in the Field Sales and Sales Administration organizations ensure that brokers and non-exclusive agents receive professional support in every regard. In 2021, this support primarily focused on helping brokers and non-exclusive agents with the new full cost coverage rate scale introduced for health insurance in 2019 and on the introduction of the new legal insurance rate scale.

In addition, ARAG increased its customer base in online business to around 320,000 customers. This equates to approximately 13 percent of the German customer base. ARAG's online business is therefore increasingly turning into a further strong sales channel. In Germany, the ARAG Group's sales channel mix also includes sales partnerships

in which made-to-measure, high-performance ARAG insurance solutions are offered under partnership agreements with other insurance companies, banks, other companies, associations, and clubs.

It is mandatory for the ARAG companies to impose a requirement on the agents in Core Sales and all broker managers that potentially have customer contact to comply with and uphold the provisions of the EU Insurance Distribution Directive (IDD). The ARAG companies must also provide the necessary training. A number of basic steps are already covered by the holistic approach to advice and support in Core Sales. The continually updated digital sales process, as described above, also plays a key role. Furthermore, the promise that customers will receive high-quality products and services is in any case an essential component of ARAG's positioning as a high-quality insurer.

Corporate responsibility

As a family-managed company, ARAG's highest priority is people. The Group's innovative strength and wealth of ideas enable it to maintain long-term satisfaction, both for its customers and for its around 4,700 employees worldwide. ARAG puts sustainability into practice every day: in how people interact with one another, through shared corporate principles, and through the provision of an attractive and modern workplace with excellent continuing professional development (CPD) opportunities, employee benefits, and an extensive corporate health management program.

ARAG Essentials

The ARAG Essentials are the Group's corporate principles and encapsulate the objectives of the commitment that ARAG's employees, managers, and owners share. They describe the values of the organization and serve as guidance for the conduct of business in the Group. The ARAG Essentials include ARAG's founding principles, identity, corporate ambition, and values. They help to shape the Company's future for the benefit of its customers, supporting these customers with innovative solutions.

In 2020, the ARAG Essentials were completely revised with particular regard to the issues of digitalization, new ways of working, and leadership behavior. The changes were based on a groupwide employee survey and on qualitative validation in focus groups involving German and international participants in 2019. Their suggestions had a significant impact on the revision of the ARAG Essentials. In various workshops, and with the involvement of the Group Management Board, the corporate principles were amended in line with the new reality. As part of the updates to the new corporate principles, which are broken down into four sections, the six ARAG values were 'reloaded' and given an even greater level of emphasis. In addition to underlining the corporate ambition and identity, the ARAG Essentials now also bring to the fore ARAG's visionary and, at the same time, sustainable founding principle – equality of opportunity before the law – as a guiding theme that underpins all the Group's activities.

To implement the ARAG Essentials reloaded throughout the Group, ARAG turned for the first time to a comprehensive worldwide digital approach so that all employees would be involved. In autumn 2020, all employees throughout the Group were provided with their personal ARAG Essentials package, containing innovative materials that they then took into virtual workshops with their ARAG team. The topics addressed in these digital ARAG Essentials team sessions were ARAG's values, founding principles, corporate ambition, and identity. Discussions focused on the shape of things to come, international connectedness of the Group's employees, and the changes in digital ways of working. The workshops explained how the revised corporate principles applied to day-to-day activities and helped employees to come up with their own implementation ideas. In 2021, the digital logbooks that the ARAG teams used in the ARAG Essentials team sessions to record the outcome of the virtual workshops were evaluated. This evaluation of the 364 international and German digital logbooks showed that employees across the Group identified strongly with ARAG. It was also clear that they very much agreed with the family enterprise's corporate principles. Furthermore, the evaluation confirmed employees' commitment to working together to take the Company forward. An action plan has been adopted in order to embed these positive results and strengthen the Group's increasingly international nature. For example, new communications and networking concepts were developed in 2021 that will facilitate discussion and the sharing of information and ideas among employees working globally. International coffee roulette, in which employees are randomly matched with each other for coffee meetings, has proved to be a simple yet effective communications instrument and is popular with employees.

Derived from the ARAG Essentials, the ARAG Leadership Essentials set out the changed requirements for managers at ARAG and will be rolled out across the Group in a revised form in 2022, incorporating new skills models and manager training courses.

ARAGcare

Alongside measures to protect employees, ARAG has for some time invested over the long term in employee health and has established ARAGcare, a corporate health management program that forms a core component of the ARAG Group's HR policy.

ARAGcare offers a comprehensive range of services relating to health & fitness and work/life balance, thereby making a valuable contribution to maintaining and nurturing employees' health and capacity to work. Regular services are provided, depending on location, and include checkups, advice, flu vaccinations, childcare, and a wide variety of sports activities.

A COVID-19 vaccination program was also offered in 2021, enabling employees, sales partners, and their family members to be vaccinated by the company doctors at four sites in Germany. The pandemic meant that there was again a particular focus on digital options for employees in 2021. For example, virtual fitness sessions with a personal trainer were offered. The existing employee advice hotline became increasingly important, providing a source of support for psychosocial issues and challenges. Live events and

webinars on resilience, stress management, and leadership while working from home were organized in cooperation with the German Institute for Stress Medicine. Consultations with the company physician were digitalized, which meant employees still had access to the physician during lockdowns. To enable return-to-work and disability management to continue in optimum fashion in the new circumstances, the related advice from external experts was also provided digitally via video calls. The pandemic has presented huge challenges in relation to the provision of childcare. The flexible structure of working arrangements was broadened to assist employees in this regard. In addition, a partnership with a tutoring service helped parents to teach their children at home while schools were closed.

As part of ARAG's efforts to prevent mental illness, preparations were carried out for a service to assess the risk of mental health problems. The aim of this questionnaire-based assessment is to identify targeted measures with which to improve working conditions.

Employees

ARAG relies on a skilled and highly motivated workforce to ensure that it delivers on its value proposition. At the end of 2021, the ARAG Group had a total of 4,678 employees, of whom 2,202 were based in Germany and 2,476 in other countries. The Company also provides successful training programs in Germany, enabling its trainees to gain vocational qualifications in insurance and finance or in IT (with a focus on systems integration or application development).

Employees were again faced with particular challenges in the reporting year as a consequence of the COVID-19 pandemic. ARAG recognized this problems at an early stage and implemented a range of support measures. For example, all employees have a personal laptop on which the latest software has been installed. Additional monitors, high-quality swivel office chairs, headsets, and web cameras were also made available for employees to use at home. A company agreement on remote working was signed that enables employees and the organization to strike the healthiest possible balance between remote and office-based working. Under the agreement, employees can work remotely for at least 40 percent of their working hours.

An internal health and safety team was set up at ARAG at the start of the pandemic. Together with the company physician, the team developed hygiene protocols, which have been rigorously implemented in ARAG's office buildings since then. These included precautions such as a requirement to wear face masks in communal areas, one-way systems, additional provision of sanitizer dispensers in exposed areas, and a limit on the number of people in the building based on changes in the level of coronavirus cases. The internal health and safety team meets regularly to discuss the situation and determine appropriate action, taking account of decisions by the federal government. One of the internal health and safety team's key objectives is to ensure that employees are kept informed via the intranet of the latest situation, the decisions and steps taken by policymakers, and the associated safety requirements implemented by the Group.

A significant range of options were created to promote and maintain social contact between employees and to offer psychological support during the pandemic. These include help pages with tips on working from home, informal digital chat rooms (such as shared virtual coffee breaks), after-work events, and workshops for virtual team collaboration. The Management Board has also digitalized its communications in the pandemic. A large number of virtual live discussions and video podcasts have been used to provide employees with first-hand information on current issues in the Group. In recognition of employees' significant commitment in the tough lockdown conditions, the Group Management Board approved additional new benefits in February 2021: the payment of a special tax-free bonus, the option to be paid rather than receive time off in lieu for overtime, an option for parents of school-age children to receive private online tuition for their children from an external service provider, and an extra day's holiday when employees' parents are vaccinated against COVID-19.

Surveys of employees in Germany were carried out in 2020 and again in February 2021 to find out how the employees felt and what they thought about working from home. The results show that the majority of those surveyed had predominantly been working at home since the first lockdown and consider ARAG to be supportive of them during these difficult times. At the same time, it is clear that employees are becoming weary of the pandemic. In response, the ARAG health and safety team is working with the company physician, the Management Board team, and Works Council members to investigate further ways of providing assistance.

Employee skills and qualifications

Alongside vocational training, ARAG attaches huge importance to the skills, qualifications, and professional development of its workforce. Its goal is to be the best provider of legal insurance worldwide and to be one of the best in the other segments in Germany. To this end, ARAG takes regular action relating to content and methods in Personnel Development so that all employees are able to optimize their knowledge and skills in line with current and future requirements.

As part of the Smart Insurer Program, the Personnel Development department is implementing new learning and development formats with which to inform and qualify employees and managers and help them to enhance their digital mindset and skill set. This encourages employees to acquire new competencies and meets the need for greater skills training. For some years, training courses have been offered on topics such as agile project management, scrum, Office 365, and personal ability to adapt to changes resulting from digitalization. As managers are among the drivers of the digital transformation, the existing manager development program is being expanded to include training on hybrid management in order to adapt the program to meet current requirements.

In 2019, the growing relevance of digitalization prompted ARAG to introduce the Masterplan video-learning platform in order to promote employees' understanding of digitalization and help them to acquire the necessary knowledge. The digital learning offering includes a basic digitalization course, covering topics such as New Work, digital corporate

culture, innovative working methods, and new technologies. Since the launch, more than 750 employees have already upgraded their knowledge using Masterplan's video sequences.

A further key component in ARAG's strategy for retaining suitably qualified employees in the Group is to provide employees with simple, fast access to a wide range of attractive CPD opportunities. ARAG's state-of-the-art inhouse learning management system, L2D, offers all employees access to training and development options with relevant content in a range of different formats, such as traditional seminars, webinars, and a variety of e-learning approaches (see also the section 'Innovation').

During the second year of the COVID-19 pandemic, in which employees continued to work from home, they were again offered extensive training on relevant technologies, Office 365, remote working, and other pertinent topics. Overall, all skills training has been checked for compatibility and moved to an online format. The fast changeover to virtual formats ensured that ARAG could continue to run assessment centers for internal and external candidates without interruption despite the COVID-19 pandemic.

Corporate social responsibility

ARAG is a family enterprise. As a consequence, ARAG attaches great importance to the interconnection between corporate and social responsibility. This is reflected in the extra corporate social responsibility taken on by the Group, especially where government agencies are unable to step in with help where it is really needed.

Based on these values, ARAG is involved in a range of development programs and initiatives. Since 2014, ARAG has been successfully offering its innovative development project known as Conflict Management in Schools. Supported by the North Rhine-Westphalia Ministry for Education and Schools, this program is offered to all high schools and vocational colleges in North Rhine-Westphalia. The project focuses on the introduction of universal quality standards for conflict management structures, preventive measures, and intervention techniques. Teachers, parents, specialists in educational social work, and school pastors are trained as school mediators and go on to train school students as conflict controllers.

A total of 390 school mediators at 127 high schools and vocational colleges in different school districts across North Rhine-Westphalia have taken part in the nine training cycles carried out so far. With the COVID-19 pandemic continuing since 2020, many teachers and specialists in educational social work faced the challenge of teaching online and implementing appropriate hygiene measures in schools. In order to continue with this development initiative despite the pandemic, the digital training strategy introduced in 2020 was again successfully deployed in the reporting year. This led to a total of 18 participants from an additional four high schools across North Rhine-Westphalia being trained as school mediators in 2021, in spite of the increased day-to-day demands on schools.

Since September 2016, ARAG has also been a sponsor of MediationsZentrale München e. V. The school mediation team at this not-for-profit organization regularly sends out professionally trained mediators to public-sector and private schools in the greater Munich area to act as impartial points of contact for all conflicts and problems arising in day-to-day school activities.

The proactive protection of children and young people against online threats is another key focus of corporate social responsibility at ARAG. The internet is changing and affecting the lives of people around the globe – including to a large degree the lives of children and young people – and is bringing not only opportunities but also risks. Suitable prevention is vital to avert these risks. Important areas of prevention lie in the long-term development of media skills and in the provision of information and education, as well as the raising of awareness about the consequences of bullying.

The Group has therefore been focusing even more intensely on protecting online privacy rights since 2017. ARAG teamed up with the Research Center for IT Law and Social Networks Policy at the University of Passau to develop an alternative to Germany's contentious Enforcement of Rights on Social Networks Act (NetzDG). Since the publication of the proposed changes at the beginning of 2018, ARAG has repeatedly drawn the attention of expert audiences and policymakers to its alternative version and the associated improvements in favor of victim protection. Since 2019, the [hass-streichen.de](https://www.hass-streichen.de) ('crossing out hate') website has provided comprehensive, up-to-date information on this issue.

Corporate social responsibility at ARAG also extends to the provision of support for the German Children and Youth Foundation (DKJS), specifically in the area of digital education. For more than 25 years, DKJS has been operating projects and programs throughout Germany, helping children and young people have the courage to take control of their own lives and play a role in society. Schools throughout Germany are faced with the challenge presented by the digital transformation. At the same time, digitalization opens up numerous opportunities for school-based education. ARAG and DKJS therefore launched a joint program in November 2017 referred to as 'bildung.digital' (digital education). This program helps schools to develop digital education strategies and ensure that the strategies become firmly established as part of their activities. In the year under review, 50 selected schools from eight federal states participated in cross-state networks and in networks aimed at strengthening education on European issues and fostering Europe-related knowledge and skills.

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Group Management Report

Changes in premium income and sales revenue

(€ million)	2021	2020	2019
Legal insurance	1,258.5	1,155.1	1,085.3
of which domestic	491.2	443.1	418.9
of which international	767.2	712.0	666.4
Casualty and property insurance	274.5	263.4	285.0
of which domestic	218.1	216.2	214.9
of which international	56.4	47.2	70.1
Health insurance	484.4	430.2	393.2
Service companies	25.1	23.0	24.0
Total	2,042.6	1,871.7	1,787.5

- Group achieves its premium target of €2.0 billion earlier than planned
- Premiums in the German legal insurance business rise by more than 7 percent
- Very strong growth of 12.6 percent for health insurance
- International business income up by 8.5 percent
- Underwriting result even higher than in 2020 at €118 million

Group Management Report

I. Group Fundamentals

The ARAG Group is the largest family-managed insurance company in Germany and the leading legal insurer worldwide. It focuses on insurance products and services aimed at both private and small business customers. It does not operate diversified corporate insurance business. ARAG is a provider of high-quality insurance with a multidimensional approach, offering its customers in Germany not only its core legal insurance policies but also its own needs-based products and services in casualty and property insurance and health insurance business.

ARAG began to make inroads into markets outside Germany more than 50 years ago. Including Germany, the ARAG Group now operates in a total of 19 countries through branches, subsidiaries, and equity investments.

In addition to the Group headquarters in Düsseldorf and the offices in Munich, the ARAG Group maintains, through ARAG SE, international branches in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, and Spain. Branches of ARAG Allgemeine Versicherungs-AG also operate legal insurance business in the United Kingdom and in the Republic of Ireland. Another branch is managed in Spain through Interlloyd Versicherungs-AG and operates in the casualty and property insurance business. The international branches run their operating businesses in their local markets independently, taking into account the specific local circumstances in each case.

Legal insurance is also provided in the US, Norway, Sweden, and Denmark. In each case, the business is operated through legally independent subsidiaries, under the unified management of ARAG SE in its role as parent company. In addition, the ARAG Group operates in Switzerland through an equity investment in a legal insurance associate. In the United Kingdom, ARAG acts as a broker for legal insurance business and legal-insurance-related special service package business, passing this business to UK primary insurers. Some of this insurance is then ceded to ARAG SE under quota-share reinsurance treaties.

The successful intermediary model in the United Kingdom has been adopted for the Canadian market, where a Group company has been brokering legal insurance business for a British primary insurer since the end of 2016, the business then being ceded to ARAG SE. The volume of business increased significantly in 2021 as a result of the acquisition of another intermediary in Canada. In addition, ARAG has been using the intermediary model for access to the Australian market since 2019.

An equity investment is also held in a legal insurance company in Luxembourg.

Building on its dynamic growth and great willingness to embrace change, the ARAG Group is steadily extending its competitive edge in property and health insurance. In doing so, it is sustaining its systematic approach to internationalizing the legal insurance business.

II. Report on Economic Position

Economic and sector conditions

The COVID-19 pandemic created huge challenges for the global economy when it first emerged in 2020 and remained the dominant economic factor in its second year. Case numbers fluctuated significantly over the course of 2021, rising sharply at the end of the year. The resulting public health measures that were imposed also had an extremely significant impact on the economic situation.

The global economy was initially on a road to recovery in the first half of the year, which meant that the trading of goods bounced back from the slump triggered by the pandemic in 2020. This trend was driven by countries whose infection rates enabled them to ease public health restrictions. Central banks' comprehensive monetary and fiscal policy measures also helped to counter the effects of the crisis. However, the recovery varied significantly from sector to sector and from region to region. The situation created by the pandemic remained highly challenging over the course of the year for many emerging markets, where case numbers increased and little progress was made with vaccinations. In other countries, such as the United States, economic output expanded almost unchecked and resulted in significant quarterly increases. The annual report of the German Council of Economic Experts predicts that global gross domestic product (GDP) will have risen by around 5.7 percent. However, the upswing began to falter toward the end of the reporting year. Growing supply bottlenecks disrupted the global trading of goods. Commodity and energy prices rose sharply. In addition, extensive fiscal policy measures in nearly all of the major economies resulted in a jump in government borrowing and thus government debt levels. All of this caused the consumer price index to go up.

In Germany – as in the eurozone as a whole – output increased markedly owing to the easing of infection control measures. The economy staged a strong recovery, almost returning to pre-crisis output levels. The upturn was particularly pronounced in the first two quarters of 2021. However, this upward trend slowed in the final quarter of the year when infection rates went back up. The resulting reimposition of restrictions on economic and public life depressed consumer sentiment and contributed to a softening of economic growth at the end of the year. The 2021 annual report of the German Council of Economic Experts predicts that the eurozone's GDP will have risen by roughly 5.2 percent and that of Germany by 2.7 percent in the reporting year.

In July 2021, the low-pressure weather system Bernd brought torrential rain to Germany, and well over 100 people lost their lives. Property damage ran into the billions of euros in many regions. This once-in-a-century event highlighted the devastating consequences that climate change can have for society and the economy.

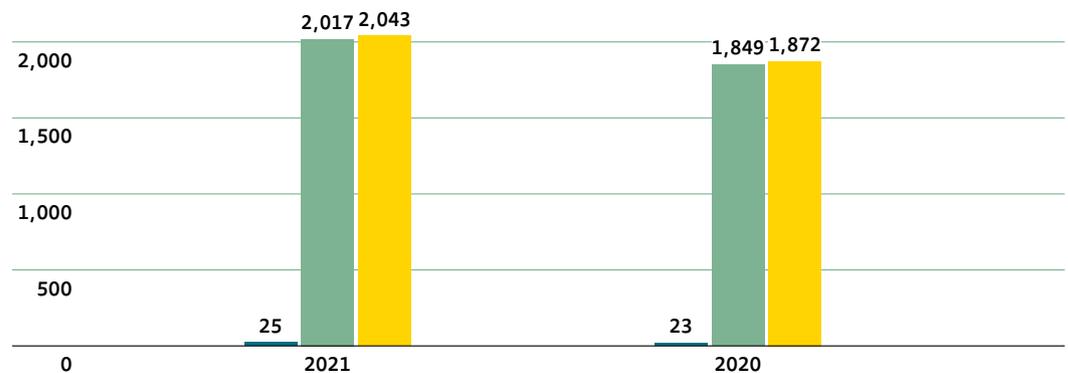
In these challenging economic conditions, the German insurance industry again proved to be robust in the face of a crisis and generated further premium growth of approximately 1.1 percent (2020: 1.7 percent). Premium income in direct casualty and property insurance business will probably have gone up by 2.2 percent, which is below the prior-year growth of 2.6 percent. However, this is still a notable increase given that some

aspects of the economic environment remain challenging. The legal insurance segment exceeded the premium growth notched up in the previous year and recorded an increase of 4.0 percent (2020: 3.0 percent), although this was driven to a large extent by the opportunity to adjust premiums. In the private health insurance segment, the rise in premiums of 5.0 percent was also higher than in the previous year (2020: 4.6 percent).

Despite the global COVID-19 pandemic, the ARAG Group delivered a robust and dynamic performance and comfortably exceeded the premium targets set for the reporting year. Gross premium income from insurance business rose by 9.1 percent in 2021, from €1,848,678.9 thousand to €2,017,434.8 thousand. With the inclusion of the service providers' activities, the total premiums and sales revenue in the Group amounted to €2,042,571.6 thousand (2020: €1,871,711.1 thousand). As a result, the target of passing the €2 billion threshold by the end of 2022 was achieved a year earlier than planned.

Gross revenue for the period

(€ million)



- Gross revenue for the period for the ARAG Group
- Insurance company premiums
- Service company sales revenue

Demand remained high in the German insurance market, enabling ARAG to increase its premium income by 9.6 percent and thereby easily exceed the average market growth rate. ARAG's premium income amounted to €1,193,806.7 thousand (2020: €1,089,512.8 thousand). The German business includes inward reinsurance business from primary insurers outside the Group, which saw a boost to premiums of €18,117.3 thousand in 2021 as a result of an acquisition. Significant new full-coverage health insurance business and a sharp rise in German legal insurance business contributed to the impressive rate of organic growth.

Gross premium income from direct business in the German legal insurance market rose by 7.0 percent year on year. Gross premiums written went up by €29,315.9 thousand to €446,140.0 thousand. Most of this increase was derived from the addition of 58,892 policies to the customer base. The volume of premiums in inward reinsurance business in Germany jumped by 71.6 percent to €45,102.7 thousand, largely because of the signing of additional treaties with primary insurers in Canada. In total, the German legal insurance business generated premium growth of 10.9 percent.

The gross premiums of the international legal insurance business went up by 7.8 percent to €767,237.5 thousand in 2021 (2020: €711,953.2 thousand). Significant increases in premiums were achieved in Italy (up by 10.4 percent) and Spain (up by 6.8 percent), mainly due to inward reinsurance business with primary insurance providers. Direct business grew by 7.5 percent in Austria. Premiums rose by 4.6 percent in the US. The growth rate in Scandinavia was an impressive 30.4 percent. The international markets with the highest sales revenue are the Netherlands, Italy, the US, Spain, Austria, and Scandinavia.

The Group's health insurance business generated strong growth of 12.6 percent in 2021 and therefore almost matched the level of premiums achieved by the German legal insurance business. The increase was mainly driven by expansion in the full-coverage health insurance business. The number of customers in this business went up by 9,739.

Significant factors for the business performance of the casualty and property insurance segment in 2021 were stagnation in Germany and the recovery of the international special service package business. In the previous year, travel restrictions imposed in connection with the COVID-19 pandemic, especially in Spain and Portugal, had led to a marked decline in business. The easing of measures in the summer and autumn contributed to the strong recovery in 2021. Gross premiums in this segment advanced by a total of 4.2 percent year on year to €274,525.7 thousand.

The Group's portfolios comprised 12.2 million policies as of the reporting date (December 31, 2020: 10.0 million). These can be broken down into 8.4 million policies (December 31, 2020: 6.3 million) related to the international business and 3.8 million policies (December 31, 2020: 3.7 million) arising from domestic business. Added to this were a further 20.4 million insured risks in the domestic sports insurance business (property and casualty insurance segment), which were covered via 18 group policies – primarily with state sports associations.

The sales revenue generated by non-insurance companies in the Group swelled by 9.1 percent, from €23,032.2 thousand to €25,136.8 thousand.

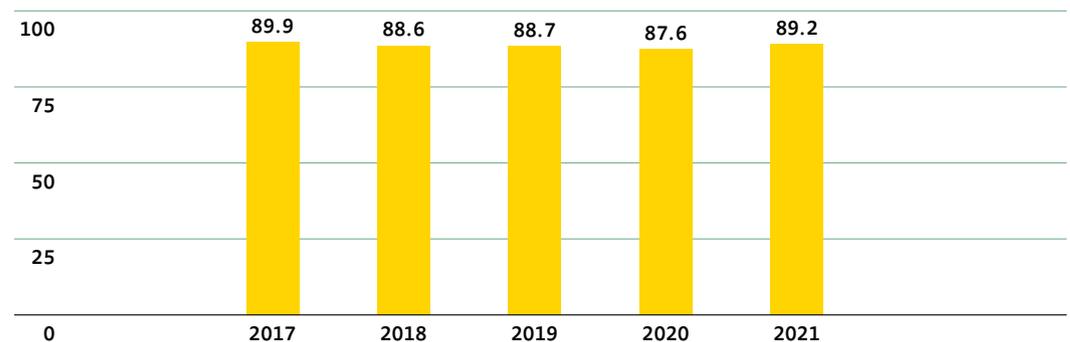
In the legal insurance business as a whole, claims incurred rose from €566,592.6 thousand in 2020 to €616,841.0 thousand in the year under review. One of the principal reasons was the expansion of the volume of business. Another was the increase in claim payments following changes to the law relating to attorney fees and court costs in Germany in 2021. The casualty and property insurance business saw growth of €6,319.0 thousand in the claims incurred related to travel insurance and accident insurance. This also reflected the effects of the storms in Germany in June and July 2021.

In addition, there was a substantial rise in expenses for major claims incurred. Claims began to be incurred again in the travel insurance business as the restrictions imposed to slow the spread of COVID-19 were lifted. In the health insurance business, expenses for claims incurred went up by 14.5 percent to €274,162.7 thousand because of the much greater proportion of policyholders with full-coverage insurance. The claims ratio in this business rose from 55.7 percent in 2020 to 56.7 percent in the reporting year. Overall, claims incurred by the Group in the year under review were above the prior-year figure. The Group claims ratio increased from 50.9 percent to 51.7 percent.

Insurance business operating expenses in the Group rose by 10.5 percent to €744,695.6 thousand in 2021 (2020: €673,945.9 thousand). This increase was essentially attributable to the Group's continual growth and the related increase in acquisition commission. The Group also invested in staff and processes in order to support the strong growth. The cost ratio rose from 36.7 percent in 2020 to 37.5 percent in 2021. Consequently, the Group's combined ratio went up but, at 89.2 percent, was still at a healthy level (2020: 87.6 percent).

Changes in combined ratio

(%)

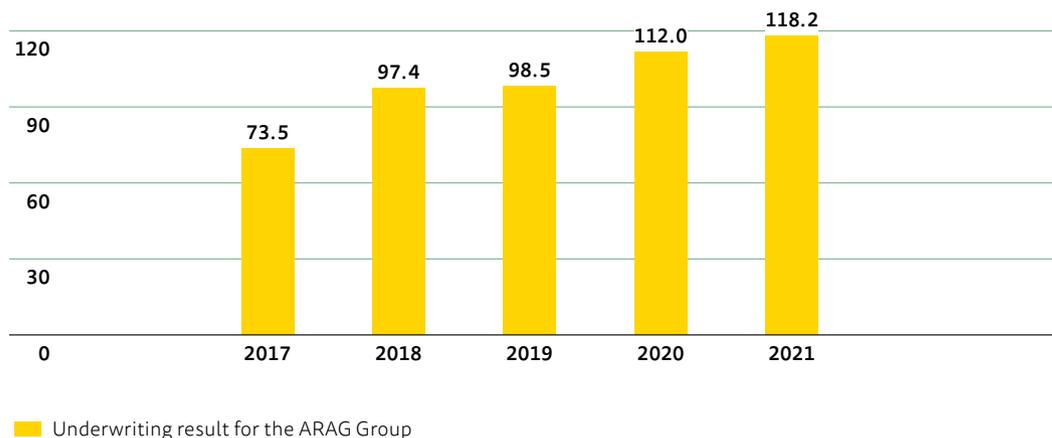


■ Combined ratio for the ARAG Group

The ARAG Group's underwriting result improved yet again to a profit of €118,210.1 thousand, which was even higher than the very good prior-year profit of €112,020.5 thousand. The underwriting result of the overall non-life insurance business (legal insurance and casualty and property insurance) rose significantly year on year to a profit of €95,998.0 thousand (2020: €83,256.6 thousand). In the health insurance business, the underwriting result fell from a profit of €28,763.9 thousand in 2020 to a profit of €22,212.1 thousand owing to business growth and the increase in benefits paid. As in previous years, the core legal insurance business was the most profitable Group segment, generating an underwriting profit of €81,611.6 thousand (2020: €69,284.3 thousand).

Changes in underwriting result

(€ million)

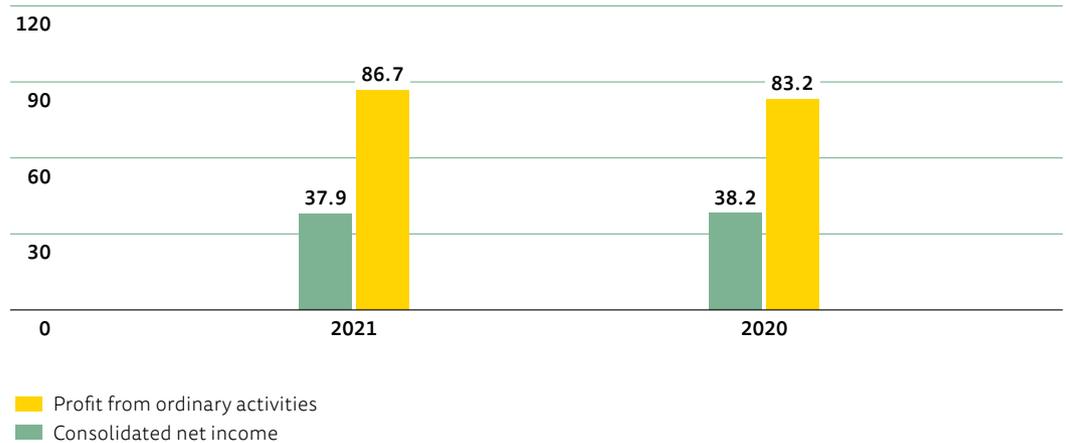


Contrary to the forecast, the Group's net gains on investments increased slightly year on year. One of the main reasons was the favorable environment in the capital markets created by rising share prices, which meant that further reversals of write-downs were recognized. Moreover, ordinary income from investments went back up despite the systematic reinvestment of current income in institutional funds. Ordinary income was reinvested in institutional funds so that capital market volatility can be better absorbed in the future. Overall gains and losses on investments – including the share of gains and losses contained in the underwriting account – amounted to net gains of €80,310.7 thousand (2020: €78,476.9 thousand). Of this total, €51,327.7 thousand was assigned to the underwriting result (2020: €48,057.1 thousand).

The net expense of €61,320.2 thousand reported under other net income/expense was again higher than the net expense recognized in the prior year (2020: €59,148.0 thousand). This included additional expenses for the digitalization and modernization of core processes. Profit from ordinary activities amounted to €86,727.5 thousand and, contrary to expectations, was thus above the prior-year figure of €83,245.3 thousand. The Group's tax expense amounted to €48,875.1 thousand (2020: €45,070.3 thousand). After deduction of taxes, consolidated net income came to €37,852.5 thousand (2020: €38,174.9 thousand).

Net income

(€ million)



Financial position

The objective of the management of financial resources is to ensure that the Group holds adequate capital and manages its liquidity such that it is able to satisfy its obligations arising from the insurance business at all times and to exceed by some way, rather than simply satisfy, the regulatory solvency capital requirements for insurance entities. The subordinated liabilities reported on the balance sheet qualify as basic own funds in accordance with section 89 (3) no. 2 of the German Insurance Supervision Act (VAG). These subordinated liabilities comprise a registered bond with a value of €30,000.0 thousand that matures on July 29, 2024.

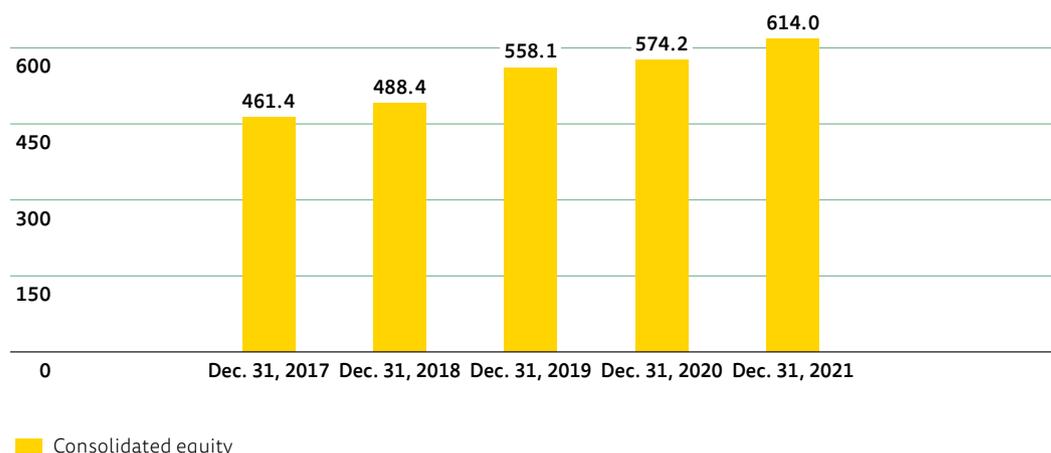
In addition to current bank balances and cash on hand of €235,674.0 thousand (December 31, 2020: €281,637.7 thousand), the Group has investments at its disposal that can be sold on the capital and financial markets at short notice, thus ensuring that the Group is able to satisfy its payment obligations under insurance contracts at all times. There are obligations to pay in capital into private equity funds and infrastructure funds in an amount of €241.5 million, which is funded using surplus liquidity from ongoing insurance business.

In the year under review, consolidated equity increased further, from €574,215.1 thousand to €613,969.5 thousand.

Further information on the extent of investments, purchases of property and equipment and of intangible assets, and changes in the liquidity of the Group in the year under review can be found in the cash flow statement within the consolidated financial statements.

Changes in equity

(€ million)



Net assets

The Group's portfolio of investments grew by 7.7 percent in 2021, from €4,925,560.6 thousand to €5,301,810.3 thousand. The fair value of the Group's investments amounted to €6,058,025.1 thousand as of the balance sheet date (December 31, 2020: €5,684,601.3 thousand).

The breakdown and year-on-year changes in investments were as follows:

Type of investment

(€ million)

	Dec. 31, 2021		Dec. 31, 2020	
I. Land and buildings	187.1	3.5 %	182.1	3.7 %
II. Shares in affiliated companies and equity investments	18.9	0.4 %	14.9	0.3 %
III. Lending to affiliated companies and equity investments	3.8	0.1 %	3.8	0.1 %
IV. Equities and investment fund shares/units	1,829.0	34.5 %	1,554.5	31.6 %
V. Bearer bonds	2,087.3	39.4 %	1,821.0	37.0 %
VI. Loans secured by mortgages and land charges	0.0	0.0 %	0.0	0.0 %
VII. Registered bonds, promissory notes	1,060.2	20.0 %	1,064.5	21.6 %
VIII. Bank deposits	46.9	0.9 %	59.8	1.2 %
IX. Sundry lending	0.1	0.0 %	0.1	0.0 %
X. Miscellaneous investments	0.0	0.0 %	160.4	3.3 %
XI. Deposits with ceding insurers	68.6	1.3 %	64.5	1.3 %
Total	5,301.8	100.0 %	4,925.6	100.0 %

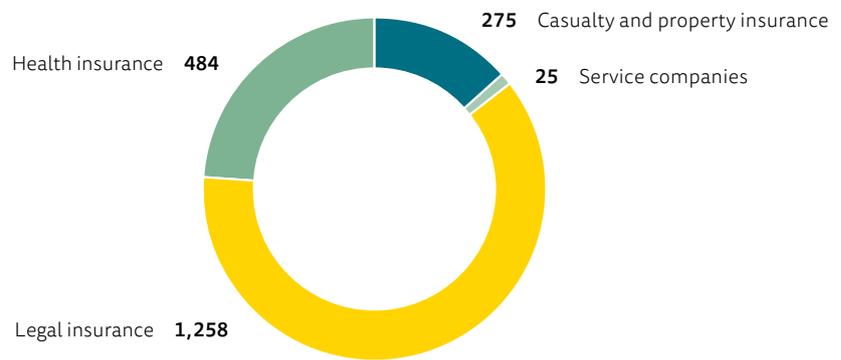
Segment reporting

The Group comprises the following operating segments:

- Legal insurance
- Casualty and property insurance
- Health insurance
- Services and asset management

Premiums and sales revenue by segment in 2021

(€ million)



Gross premium income

(€ million)	2021	2020
Legal insurance	1,258	1,155

Legal insurance

The legal insurance segment represents the ARAG Group’s core business and is the most profitable insurance segment. Sustained high increases in Germany, together with the continuation of the growth trajectory in international markets, resulted in a year-on-year rise in premium income in the segment of 9.0 percent to €1,258,480.2 thousand. Due to the further substantial rise in premiums in the German legal insurance business, the proportion of total legal insurance premiums accounted for by the international legal insurance business went down slightly year on year to 61.0 percent (2020: 61.6 percent). The German business includes inward reinsurance business of ARAG SE’s headquarters from non-German primary insurers outside the Group. This business is brokered by the Group’s inhouse intermediaries. The volume of premiums in this business jumped by 71.6 percent to €45,102.7 million, boosted by an acquisition in Canada and the related signing of a new reinsurance treaty. In the international business, the markets in Italy, Spain, Austria, the US, and Scandinavia provided particularly strong growth impetus.

Claims incurred in the whole of the legal insurance segment rose from €566,592.6 thousand to €616,841.0 thousand. The main factors behind this increase were significant business expansion and the rise in attorney fees and court costs in Germany. The claims ratio for the segment edged up from 49.1 percent in 2020 to 49.7 percent in the reporting year. The ratio in 2020 had been particularly low due to the reversal of some of the provisions for accumulation losses. The cost ratio went up slightly, from 42.4 percent to 42.9 percent, as a result of higher commissions in the inward reinsurance business and growth-related capital expenditure. The underwriting profit for the whole of the legal insurance segment rose again, advancing from €69,284.3 thousand to €81,611.6 thousand.

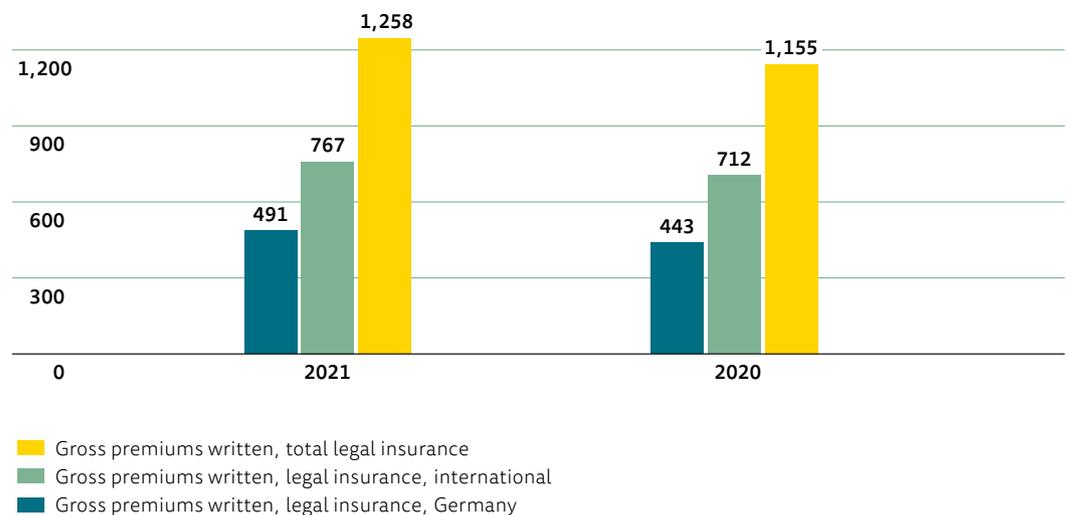
Net gains on investments in the legal insurance segment were much lower than their prior-year level at €72,011.5 thousand (2020: €104,491.2 thousand). The prior-year figure had included a non-recurring item of €52,014.1 thousand arising from the reversal of a write-down on the carrying amount of an equity investment relating to a Group company. As had been the case in 2020, ordinary income from institutional funds was reinvested in these funds, resulting in a planned reduction in income. Other net income/expense amounted to a net expense of €44,470.0 thousand, which equated to an increase compared with the 2020 figure of €43,214.8 thousand, largely due to further capital expenditure on modernizing IT applications for the Group's insurance business.

The segment generated profit from ordinary activities of €109,153.2 thousand (2020: €130,560.8 thousand).

The Group's **international legal insurance business** generated premium growth of 7.8 percent in the year under review. Gross premiums written amounted to €767,237.5 thousand compared with €711,953.2 thousand in 2020. These figures also included some of the sales revenue generated by the branches of ARAG Allgemeine Versicherungs-AG in the Republic of Ireland and the United Kingdom. The ARAG Group provides products and services for customers in Germany and a total of 18 other countries. Business grew by 10.4 percent in Italy, 6.8 percent in Spain, 7.5 percent in Austria, 4.6 percent in the US (measured in euros), and 30.4 percent in Scandinavia (measured in euros).

Legal insurance business shows continuous growth

(€ million)



In the reporting year, the expenses for claims incurred in the international legal insurance business went up from €266,976.1 thousand to €289,946.2 thousand. The prior-year figure had been significantly influenced by profit/loss on settlements arising in connection with the prior-year claims provision in Italy. Overall, the claims ratio rose to 38.3 percent (2020: 37.3 percent).

The combined ratio in the international legal insurance business went up from 82.9 percent to the still healthy level of 84.5 percent.

The **German legal insurance business** is going through a phase of constant growth. The year-on-year rise in premium income of 10.9 percent outstripped the market average. Based on an increased policy portfolio of 58,892 contracts in the German direct business, premium growth stood at 7.0 percent. Thanks to an acquisition in Canada and the related signing of a reinsurance treaty with a primary insurer outside the Group, the inward reinsurance business of ARAG SE's headquarters in Germany recorded a rise of 71.6 percent. Including the inward reinsurance business, the total income from gross premiums written in German legal insurance amounted to €491,242.7 thousand (2020: €443,114.1 thousand).

The claims ratio in the German legal insurance business went down from 68.3 percent in 2020 to 67.5 percent in 2021. In 2020, it had been necessary to factor in the increase in attorney fees and court costs from 2021 into the measurement of the claims reserve. This change affected claim payments in 2021. As a result of growth, claims incurred climbed from €299,616.5 thousand in 2020 to €326,894.9 thousand in the reporting year.

The net cost ratio rose slightly to 37.9 percent in 2021 (2020: 37.2 percent).

An amount of €4,050.0 thousand was added to the equalization provision for the inward reinsurance business (2020: €3,120.3 thousand).

Overall, the German legal insurance business ended the year with an underwriting loss of €29,155.6 thousand (2020: €24,816.0 thousand).

Gross premium income

(€ million)	2021	2020
Casualty and property insurance	275	263

Casualty and property insurance

Premiums from the legal-insurance-related special service package business are allocated to the international casualty and property insurance segment. The premiums written for this business line increased to €56,390.6 thousand (2020: €47,212.9 thousand). Business in Europe had been rather restricted in 2020 due to the measures and restrictions imposed on the public in response to the pandemic. The travel insurance business in Spain and Portugal had been particularly badly affected, suffering a drop in premiums of more than 40 percent. In the year under review, the situation began to ease from the autumn onward and the special service package business picked up markedly. The German casualty and property insurance business recorded a small rise in premium income of 0.9 percent (2020: 0.6 percent). Gross premiums written in this segment therefore went up by 4.2 percent year on year to €274,525.7 thousand (2020: €263,431.9 thousand).

The reported claims for 2021 in the general accident insurance and liability insurance businesses fell once again because of the COVID-19-related restrictions. Claims incurred in the accident and liability classes of insurance therefore remained at a very low level. However, there was a sharp rise in natural disaster claims due to the devastating floods in June and July 2021, although the bulk of the gross claims of approximately €15,000 thousand were covered by outward reinsurance. Taking account of the reinsurers' share, claims incurred in the casualty and property segment as a whole amounted to €136,004.6 thousand and were thus once more above the prior-year level of €129,685.6 thousand. The claims ratio went up from 51.2 percent to 51.9 percent.

The cost ratio rose year on year from 42.6 percent to 43.6 percent due to higher commission expenses. Underwriting profit before the equalization provision declined from €14,614.8 thousand in 2020 to €10,495.2 thousand in the reporting year. After a reversal of the equalization provision amounting to €3,891.2 thousand (2020: addition of €642.5 thousand), the underwriting profit amounted to €14,386.4 thousand, which was higher than the equivalent prior-year figure (2020: €13,972.3 thousand). Net gains on investments amounted to €3,517.6 thousand, which equated to a year-on-year rise of 21.9 percent. The increase arose because of an improved balance of write-downs and reversals of write-downs, combined with an unchanged level of reinvestment of ordinary income in institutional funds. After deducting the net expense under other net income/expense of €3,917.6 thousand (2020: €2,765.2 thousand), the casualty and property insurance segment delivered a profit from ordinary activities of €13,986.4 thousand (2020: €14,092.9 thousand).

Health insurance

Gross premiums written surged by €54,249.2 thousand to a total of €484,428.9 thousand. This equates to growth of 12.6 percent, which was a much faster rate than for the private health insurance sector as a whole. In 2021, the growth of the health insurance business was once again driven by full-coverage health insurance. With a year-on-year increase of 22.0 percent, monthly premiums written in this product group continued to rise substantially. Premium adjustments were moderate, at just 1.0 percent or so of monthly premiums written.

Amounts paid out for claims rose by 14.5 percent to €274,162.7 thousand as a result of the higher level of claims, increased volume of business, and observed price rises. The addition to the actuarial reserve (including the change in the lapse provision) amounted to €123,213.9 thousand, a decrease compared with the equivalent figure of €136,094.5 thousand in 2020. The overall underwriting result in 2021, a profit of €22,212.1 thousand, was noticeably lower than the profit of €28,763.9 thousand in 2020. This was partly due to the rise in acquisition costs as a result of growth. Gains and losses on investments improved from a net gain of €48,057.1 thousand to a net gain of €51,327.7 thousand owing to smaller losses on disposals and lower write-downs.

After taking into account the sundry income and expense items and the addition to the provision for bonuses and rebates, profit before tax decreased to €16,676.6 thousand (2020: €24,887.0 thousand). Nevertheless, this rapidly growing segment once again made a substantial contribution to the consolidated profit before tax.

Gross premium income

(€ million)	2021	2020
Health insurance	484	430

Sales revenue

(€ million)	2021	2020
Service companies	25	23

Services and asset management

This segment brings together Group companies that provide core services other than straightforward insurance business for the benefit of both Group companies and third parties. Their activities include IT services and the central emergency telephone service for ARAG customers. The segment also consists of the holding companies, including ARAG Holding SE. The insurance brokerage firm in the Group, Cura Versicherungsvermittlung GmbH, and the insurance agents for the UK, Australian, and Canadian reinsurance business are also assigned to this segment. The sales revenue generated by the non-insurance companies with third parties and the other segments in the Group rose from €67,863.0 thousand in 2020 to €72,415.1 thousand in 2021. After adjustment for the sales revenue generated in the service companies from business with Group companies in other Group segments, the remaining sales revenue generated from third parties came to €25,136.8 thousand compared with €23,032.2 thousand in 2020. Profit before tax amounted to €45,609.8 thousand (2020: €40,294.5 thousand). This improvement was largely attributable to higher broker's fees for business brokered in the United Kingdom and to restructuring at an intermediary in Canada that resulted in cost transfers.

Consolidation

Transactions between the Group's segments are offset in order to present the Group as one overall entity. Business between Group companies that are allocated to the same segment is consolidated when the segment reporting is produced so as to present each segment as one unit.

Transfers between segments are largely the result of the receipt of dividends in the multilayer Group structure. Intercompany charges for services between Group companies are also eliminated.

Non-financial reporting**(pursuant to CSR-RUG/section 315c in conjunction with sections 289c to 289e HGB)**

ARAG Holding SE prepares a separate combined non-financial report (ARAG 2021 Sustainability Report¹⁾) outside the group management report in accordance with section 341j (4) in conjunction with section 315b (3) HGB and section 315c in conjunction with sections 289c to 289e HGB together with the group management report. This sustainability report is publicly accessible at: www.arag.com/en/press/publications/

¹⁾ Not part of the management report.

III. Outlook, Opportunity and Risk Reports

Outlook and opportunity report

In the immediate future, the COVID-19 pandemic will not be the only influence on the economy. Russia's invasion of Ukraine and the related risk that the war will escalate are resulting in new and additional risks for society and the economy worldwide. It is not currently foreseeable how events will unfold and what the economic impact will be.

The war in Ukraine has taken over from the pandemic as the biggest risk to the economic outlook. Nevertheless, the scenario in which there is an uncontrolled spread of the virus, resulting in further restrictive health policy measures such as lockdowns, continues to apply in respect of the pandemic. Although the number of people vaccinated worldwide is continuing to increase, new variants of the virus could emerge that lead to further waves of infection and therefore necessitate a return to extensive containment measures.

Governments worldwide are taking financial and fiscal policy measures in order to counteract the prevailing crises. Furthermore, very strict economic sanctions have been imposed on the Russian Federation that are cutting off the Russian economy from the global economy almost completely. This creates global risks, including a sharp rise in energy prices in the first instance.

As well as fiscal policy remaining expansionary in a number of countries, the savings accumulated by households represent an additional uncertainty factor. If these savings cushions are used for delayed consumer spending on a considerable scale, there is a risk that inflation will rise at a faster rate than forecast. Moreover, market supply might not be able to keep up with the high level of demand without further significant increases in prices.

Even during times of crisis, there are not only risks but also plenty of considerable opportunities and potential for an economic upturn. The global economy staged a recovery for much of 2021, primarily thanks to progress made with vaccinations. If the vaccines continue to be rolled out to large swathes of the population more quickly than expected, the restrictions currently in place could be lifted in the coming months, which would help to revive the stagnant service sector in particular. The easing of the pandemic may also enable support measures to be scaled back and thus government spending to be reduced.

Germany elected a new government in the 2021 parliamentary election. The new federal government will continue to focus mainly on topics such as current climate policy and digitalization. Taking into account the prevailing risks and opportunities, the economic forecast for 2022 of the German Council of Economic Experts, which was updated in March 2022, is still predicting growth, albeit at a slower pace. The forecast for GDP is a rise of 2.9 percent in the eurozone and 1.8 percent in Germany.

The COVID-19 pandemic and the war in Ukraine will continue to have a significant impact on the German insurance industry in 2022. In the past two years, for example, the industry has faced huge challenges in connection with the referral of new business. Restrictions on contact imposed by the authorities and various lockdowns – including those at local level – made contact with customers more difficult. Depending on infection rates going forward, these restrictions will continue to affect insurance sales. It is likely that the war and the related sanctions will impact on gains and losses on investments in 2022. At present, it is impossible to reliably gauge the additional implications of the expected economic slow-down for the insurance industry.

Furthermore, the German insurance market remains subject to fierce competition. In many branches of insurance, opportunities for greater premium growth and further portfolio expansion are often only available if policyholders change provider.

By contrast, digitalization still offers substantial opportunities and is a priority topic that continues to be driven by Germany's new government. Digital technologies will mean that it is possible to set up much more efficient administrative channels and, above all, facilitate and develop interaction with customers, regardless of the time of day or where the parties are located. Fundamentally, the sustainable transformation of the economy and society will be one of the defining challenges for the insurance industry, along with digitalization. But it also offers opportunities because new risks are emerging and existing ones are having to be reassessed.

Besides demographic change in the years ahead, there is the potential risk of old-age poverty, which could lead to falling purchasing power in the medium term. Both of these continue to represent a major challenge for the insurance industry.

Climate change presents additional risks for non-life insurers. The last few years have clearly demonstrated that storms and hurricanes are not the only natural disasters that can hit the whole of a country; natural disaster loss events can also be triggered by hail, heat waves, and rain. The latter was demonstrated by the low-pressure weather system Bernd in summer 2021, when heavy rain caused once-in-a-century flooding in parts of Germany. Fundamentally, the sustainable transformation of the economy and society will be one of the defining challenges for the insurance industry, along with digitalization. But it also offers opportunities because new risks are emerging and existing ones are having to be reassessed.

Overall, premium income in the insurance industry is expected to grow more significantly than in 2021. Based on a projection from January 2022, the German Insurance Association (GDV) is estimating that premiums in the German market will increase by up to 2.7 percent in 2022 (2021: 1.1 percent). The forecast growth for casualty and property insurance is 3.0 percent (2021: 2.2 percent). In the private health insurance business, a premium increase of 5.0 percent is anticipated (2021: 5.0 percent).

In an environment still shaped by tough social, political, and economic conditions, ARAG SE is planning to continue generating growth in 2022, although probably at a slightly slower pace. The high level of economic uncertainty, the associated risk of unemployment,

and regulatory restrictions have made people more receptive to the idea of legal insurance, thereby boosting demand not only for legal insurance but also legal services. Customers are also looking to protect themselves from a legal standpoint in contractual matters and in the event of rental defaults. Following the expected lifting of restrictions in the spring, many Europeans will start traveling again, which should lead to increased sales revenue from travel insurance policies. The stepping up of business outside Europe, which is underwritten using reinsurance treaties, was achieved following the signing of new treaties in the reporting year. This year, further premium growth will be generated by focusing on after-the-event (ATE) business, which constitutes legal insurance with the benefit of finance for the cost of legal proceedings.

The COVID-19 pandemic revealed deficiencies in the German healthcare system. At the same time, spending increased due to the pandemic. For this reason, along with possible increases in premiums in statutory health insurance, private healthcare will continue to be attractive to customers and consumers going forward. This means that demand for private full-coverage and supplementary health insurance will remain high. With restrictions easing in public life, take-up of medical treatment and benefits will increase again. The health insurance segment is predicted to expand at a faster rate than the market average, especially in the full-coverage insurance business. However, growth will be slightly slower than in 2021.

Budgeted premium growth in the German casualty and property insurance segment is significantly lower than the premium growth seen in 2021. The objective continues to be to focus on strategic core segments in the private customer business. In the sports insurance business, the Group will continue its strategy of providing needs-based insurance cover for organizations offering recreational and high-performance sports activities. Overall, a further rise in premiums is expected, although the rate of increase will decline slightly.

Despite the predicted increase in claim payments following changes to the law relating to attorney fees and court costs in Germany, the claims ratio in the legal insurance segment in Germany will remain unchanged year on year. Expenses for claims incurred in the health insurance segment are likely to rise moderately in 2022 owing to the greater volume of business and the annual increase in healthcare costs. In terms of the claims trend in the casualty and property insurance segment, a net rate that is a little higher than in 2021 is forecast. The Group's claims ratio is expected to go up slightly in 2022.

Business growth is expected to drive a further rise in acquisition costs, especially in the legal insurance and health insurance businesses. Savings on travel and training costs are unlikely to continue. However, capital expenditure on further digitalization and process optimization will start to generate savings in 2022 and, supported by growth, enable a small reduction in the cost ratio.

The Group's overall combined ratio will vary only slightly compared with 2021, while the underwriting result before the equalization provision for 2022 will be on a par with 2021.

It is difficult to reliably forecast the gains and losses on investments, in particular because of uncertainty surrounding the ongoing impact of rapidly rising inflation, the difference in the approaches of the central banks in Europe and the US, the performance of the global economy in the face of existing supply bottlenecks, and the possibility of further pandemic-related restrictions in the autumn.

Furthermore, the war in Ukraine makes it impossible to reliably predict the consequences for the economy and financial markets at the present time. Given these major uncertainties, profit before tax is expected to be lower in 2022 than it was in 2021.

Opportunity report

The ARAG Group is highly internationalized thanks to its network of branches and equity investments. The proportion of premiums generated in business outside Germany currently stands at 40.8 percent. The diversification of the Group's business across markets will continue to broaden on the back of steady expansion in existing markets and the acquisition of business in new countries. This approach opens up a wide range of opportunities that would otherwise not be available in a single isolated market.

ARAG's excellent international diversification makes it more independent of the trends in individual national markets. This even applies to the German legal insurance market, despite the successful growth achieved by ARAG in the last seven years. Germany is ARAG's home market and thus remains extremely important to the Group. Strong growth in this market is a high priority and serves as a significant point of reference for the international business. The strategy of the ARAG Group for the whole of the legal insurance business is to continue the international diversification of this segment.

The international structure of the ARAG Group is the logical business consequence of its former dependence on the German market. It makes a virtue of the highly varied economic trends within Europe and around the globe for the benefit of its business. The legal insurance markets outside Germany offer significant growth potential. ARAG is focusing considerable effort on exploiting this potential with a view to achieving further growth in the Group. In this regard, it attaches great importance to taking into account the particular features of the market in each country.

Responsibilities are distributed throughout the ARAG Group so that the position enjoyed by the ARAG brand in the German market will be further consolidated and improved by the strengthening of all the insurance segments. This two-dimensional – i.e. national and international – diversification strategy in the Group is also enabling ARAG to move away from the original tightly focused positioning as a niche provider in Germany. A domestic specialist insurer concentrating solely on one line of business is considerably more susceptible to risk. The strategic approach at ARAG is therefore one of active risk reduction and is based on spreading risk more evenly across all markets and segments. The Group also benefits from its clear focus on legal insurance, property insurance, and health insurance business.

Overall, the European management structure makes it possible to exploit the diverse opportunities available to the ARAG Group in both its German and international business over the long term. In addition, experience with this structure has demonstrated that market risks become transparent more quickly for managers across all levels, enabling the Group to respond with greater flexibility.

One of the main additional opportunities available to the ARAG Group is the significant growth potential offered by digital transformation processes. In this regard, the pandemic presented an opportunity for the Group to demonstrate its substantial digital capabilities and it transitioned smoothly to supporting all customer-related processes on a decentralized basis. This applied to all the Group's activities around the globe.

The ARAG Group will work systematically and energetically to meet the challenges presented by the markets. It will open up and exploit opportunities to bring about successful advancement of the business in a demanding and varied market environment. The ARAG Group's clear corporate strategy is to continue the international diversification of the business and significantly expand the share of the international activities in the Group's operations.

Risk report

Risk management system

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

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

ORSA The own risk and solvency assessment (ORSA) process verifies that the changes in the most significant individual risks over the next three financial years will remain manageable, thereby ensuring that the ARAG Group continues to meet the objective of the

conservative risk and solvency policy over the long term. To this end, the ORSA process determines the ARAG Group's overall solvency requirement and own funds for each planning year, providing an indication of the future coverage requirement. The Management Board is responsible for the annual ORSA process and takes a lead role in ensuring it is carried out.

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

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

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

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

All identified risks are regularly measured. The key element in this process is the solvency capital requirement that is calculated for all downside risk. The purpose is to ensure that unexpected losses are covered. A partial internal model is used to quantify the solvency capital requirement. The model shows the loss occurring within a specific holding period (one year) and with a specified level of probability (99.5 percent). The methodology used for the internally modelled risks is regularly reviewed using backtesting and validation tests. Stress tests are also continuously carried out in respect of the risk exposures. An assessment is additionally carried out in the ORSA process.

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

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

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

The ARAG Group structures its ICS in accordance with the 'three lines of defense' model:

- First line of defense: The first line of defense is formed by all employees and managers in operational roles who are responsible for identifying and evaluating the risks in their area as part of the risk control process.
- Second line of defense: The monitoring of the business and central units is carried out by various interdisciplinary functions (Group Controlling, Legal/Compliance, Group Risk Management, and the Actuarial function) that specify standards for the design and monitoring of controls and the handling of risk.
- Third line of defense: Under its remit as the internal auditor for the Group companies, the Group Audit Central Department conducts internal audits of the functions in the first and second lines of defense within the ARAG Group. The Group Audit Central Department is also the internal auditor for the Group companies that have contractually appointed it to this role. Following the orders issued by the Management Board, Group Audit examines the operational and organizational structure as well as the ICS for all operating and business processes from a risk perspective.

Risk categories

Underwriting risk and market risk are of considerable significance for the Group, whereas liquidity risk and counterparty default risk are of lesser importance.

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

Underwriting risk is the risk of a loss arising from inadequate pricing or inadequate provisioning assumptions. These losses result from various risk types, including:

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

These risks are measured using an internal model. A simulation is used to forecast a level of loss that would only be expected every 200 years (1 in 200 year event). Future claims and/or required additions to reserves are calculated for premium and reserve risk on the basis of historical claims. Losses are simulated in the same way for catastrophe and accumulation risk; such losses may arise from natural disasters, large claims caused by people, or accumulation losses in the legal insurance business. Lapse risk is calculated on the basis of cancellations in the past. The actual underwriting risk arises from the aggregation of the individual risks, taking diversification effects into account.

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

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

Changes in claims ratio

Financial year	Claims ratio, gross, total		Profit/loss on settlements
	<i>FY ratio</i>	<i>Financial statements</i>	<i>% of initial reserve</i>
2021	56.1	51.8	4.0
2020	56.4	51.4	4.6
2019	56.2	52.4	3.6
2018	55.1	52.1	2.7
2017	56.0	52.4	3.1
2016	55.9	50.3	4.7
2015	58.0	51.6	6.1
2014	60.2	55.4	3.6
2013	61.3	53.3	5.9
2012	62.6	50.9	7.0

Underwriting risk in health insurance Underwriting risk is the risk of a loss or adverse change in the value of insurance liabilities arising from inadequate pricing and inadequate provisioning assumptions. These losses result from the following three risk components and their associated sub-risks:

1. Risk from health insurance policies that are operated on an actuarial basis comparable to that of indemnity insurance:
 - Premium and reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the timing of claims settlement and the amount involved.
 - Lapse risk (operation on a basis similar to non-life insurance): changes in the level or volatility of the rates of insurance policy lapses, terminations, renewals, and surrenders.
2. Risk from health insurance policies that are operated on an actuarial basis comparable to that of life insurance:
 - Mortality risk: changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate 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 rate 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.
 - Revision risk: changes in the level, trend, or volatility of the revision rates applied to annuities due to changes in the legal environment or in the state of health of the person insured.
 - Lapse risk (operation on a basis similar to life insurance): changes in the level or volatility of the rates of insurance policy lapses, terminations, renewals, and surrenders.

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, causing mass accidental deaths, disabilities, and injuries with a high impact on the cost of medical treatment sought.
 - Accident concentration risk: the risk of having concentrated exposures due to densely populated locations, causing concentrations of accidental deaths, disabilities, and injuries in the event of the mass accident scenario described above.
 - Pandemic risk: the risk of having a large number of non-lethal disability and income protection claims and where victims are unlikely to recover as a result of a pandemic.

These 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 changes in the fair value of the liabilities. One of the methods used by the Group for this purpose is the inflation-neutral measurement method. 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.

The measures implemented to limit the risk include reinsurance and the use of the available opportunities to structure policyholder profit participation and adjust premiums to the extent permitted by law.

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

Counterparty default risk is measured with the standard formula. The risk of default on receivables from reinsurers and credit institutions is measured on the basis of the information available and proportionality considerations. The counterparties' individual credit ratings are explicitly used. The risk of default on receivables from policyholders and insurance brokers is measured. The amount of the receivables due from reinsurers, broken down by external ratings, can be found in the notes to the consolidated financial statements.

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

As of the balance sheet date, receivables from policyholders more than 90 days past due amounted to €19,090.0 thousand (December 31, 2020: €18,816.2 thousand). The average default rate for these receivables over the last three years as of December 31, 2021 was 20.7 percent (December 31, 2020: 22.2 percent).

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

- Interest-rate risk: changes in the term structure or volatility of interest rates. For example, an assumed increase or decrease of 1 percentage point in the general level of interest rates would decrease or increase the fair value of the fixed-income securities by approximately €287.9 million.
- Equity risk: changes in the level or volatility of the market prices of equities. For example, an assumed fall in equities markets of 20 percent would cause a loss in fair value of €111.1 million.
- Property risk: changes in the level or volatility of the market prices of real estate.
- Currency risk: changes in the level or volatility of exchange rates.
- Spread risk: changes in the level or volatility of credit spreads over the risk-free interest-rate term structure.
- Migration/default risk: rating level changes or changes in the extent of projected defaults. The breakdown of interest-bearing investments by rating is as follows:

Fixed-income securities by rating class (direct investments and funds)

(Proportion (%) by fair value)

AAA	24.4
AA	15.7
A	29.1
BBB	25.4
BB	3.1
B	1.5
CCC	0.0
CC	0.0
C	0.0
D	0.0
Not rated	0.8

The breakdown of fixed-income securities is as follows (fair values): Of the fixed-income securities – including securities held indirectly through institutional funds – approximately 29.7 percent are accounted for by financial services entities, 35.2 percent by public-sector bonds, and 35.1 percent by corporate bonds.

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.

Measures implemented to restrict the risk include risk limits and limits in the investment guidelines for operating investments.

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

Liquidity risk is measured separately for each Group company by calculating the monthly excess liquidity cover or liquidity shortfall on a rolling basis. Liquidity planning is updated constantly so that ARAG has early warning of whether it will require liquidity in the coming months. Asset/liability management (ALM) is used to determine the liquidity requirement over the medium to long term, likewise at Group company level.

Risk limitation measures include ALM and rolling liquidity planning.

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

The Group uses the standard formula to determine the associated 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. The gross values are the values before implementation of possible measures to mitigate the risk; the net values are the values after implementation of the chosen measures. Risk limitation measures are specified by the managers concerned on a case-by-case basis. 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 are contingency plans in place for risks that could have an impact on the entire Group. For example, a business continuity management system has been set up so that special countermeasures can be taken in the event of a cyberattack. This minimizes the impact of an attack. The implementation of each measure used is continuously monitored to ensure the measures taken to reduce the risk remain effective on an ongoing basis.

Overall risk position

The regulatory minimum capital requirement in accordance with VAG provisions is met in full. Moreover, the eligible own funds are significantly higher than the solvency capital requirements calculated in accordance with the VAG.

In addition to the risks described above, a pandemic and/or aspects of digitalization – i.e. cyber risk – could have a negative impact on the business model.

Any forecast of how the COVID-19 pandemic will continue to unfold is subject to considerable uncertainty. The emergence of more and more new variants of coronavirus shows that a pandemic fundamentally remains a realistic scenario. The effects of the COVID-19 pandemic did not result in any significant change to the Company's risk profile in 2021. The Company has maintained its capacity to assume risk in full.

Trends are observable – particularly online – whereby service providers or attorneys proactively try to sign up additional clients through targeted campaigns on certain legal matters. This may result in legal insurance providers facing higher costs for legal cases. ARAG offers professional guidance by steering its customers through the legal issues and is stepping up its monitoring of claims so that it can take countermeasures promptly.

Further developments in the Russian Federation's invasion of Ukrainian territory and the resulting impact on the economy and society may also affect the Company's risk position. Although it is difficult to predict any specific impact at present, initial analysis of negative scenarios shows that there is still sufficient coverage.

The individual companies assessed various scenarios during the planning period. The results indicate that the solvency capital requirement is expected to be sufficiently covered for the next few years at Group level.

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

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Consolidated Balance Sheet as of December 31, 2021

Assets

(€)

A. Intangible assets

- I. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets
- II. Goodwill

B. Investments

- I. Land, land rights and buildings, including buildings on third-party land
- II. Investments in affiliated companies and equity investments
 1. Shares in affiliated companies
 2. Investments in associates
 3. Miscellaneous equity investments
 4. Lending to long-term investees and investors
- III. Miscellaneous investments
 1. Equities, investment fund shares/units, and other variable-yield securities
 2. Bearer bonds and other fixed-income securities
 3. Loans secured by mortgages or land charges and fixed-income receivables
 4. Miscellaneous lending
 - a) Registered bonds
 - b) Promissory notes and loans
 - c) Sundry lending
 5. Bank deposits
 6. Other investments
- IV. Deposits with ceding insurers

C. Receivables

- I. Receivables from direct insurance business from
 1. policyholders
 2. insurance brokers
of which from affiliated companies: € 48.53 (Dec. 31, 2020: € 644.87)
- II. Receivables from reinsurance business
of which from other long-term investees and investors: € 45,564.35 (Dec. 31, 2020: € 0.00)
- III. Miscellaneous receivables
of which from affiliated companies: € 596,129.50 (Dec. 31, 2020: € 892,580.29)
of which from other long-term investees and investors: € 150,840.87 (Dec. 31, 2020: € 143,139.04)

D. Miscellaneous assets

- I. Property and equipment and inventories
- II. Current bank balances, checks and cash on hand
- III. Other assets

E. Prepaid expenses and accrued income

- I. Accrued interest and rent
- II. Miscellaneous prepaid expenses and accrued income

F. Deferred tax assets

G. Excess of plan assets over pension liabilities

Total assets

Note		Dec. 31, 2021	Dec. 31, 2020
	3 p. 77	9,314,536.10	11,470,281.68
	2 p. 77	7,327,901.77	11,427,215.59
		16,642,437.87	22,897,497.27
	33 p. 86		
	4 p. 77	187,072,405.60	182,119,004.23
	5 p. 77		
		1,492,283.38	2,430,021.25
	31 p. 85	12,985,923.00	10,061,297.44
		4,463,678.88	2,431,626.92
		3,750,000.00	3,750,000.00
		22,691,885.26	18,672,945.61
	6 p. 78	1,828,998,899.25	1,554,479,369.92
	7 p. 79	2,087,329,964.63	1,821,022,674.95
	8 p. 79	1.00	1.00
	9 p. 79	574,029,876.30	567,029,876.30
	10 p. 79	486,165,664.39	497,478,013.44
	10 p. 79	76,260.86	79,712.02
		1,060,271,801.55	1,064,587,601.76
	11 p. 79	46,868,488.83	59,782,540.32
		16,000.00	160,388,046.37
		5,023,485,155.26	4,660,260,234.32
		68,560,809.48	64,508,382.26
		5,301,810,255.60	4,925,560,566.42
	12 p. 79		
		55,557,034.05	54,852,317.18
		42,780,664.52	39,247,019.90
		98,337,698.57	94,099,337.08
		69,273,821.85	53,638,276.53
		18,909,440.01	17,871,094.64
		186,520,960.43	165,608,708.25
	13 p. 79	17,932,172.18	20,823,522.50
	14 p. 80		
	15 p. 80	188,805,555.46	221,855,187.51
	15 p. 80	26,076,372.67	26,964,491.57
		232,814,100.31	269,643,201.58
	16 p. 80		
		30,140,397.97	31,738,001.20
		14,568,881.06	11,900,544.53
		44,709,279.03	43,638,545.73
	17 p. 80	0.00	0.00
	34 p. 89		
	18 p. 80	294,968.85	325,694.96
		5,782,792,002.09	5,427,674,214.21

Consolidated Balance Sheet as of December 31, 2021

Equity and liabilities

(€)

A. Equity

I.	Subscribed capital
II.	Revenue reserves
1.	Statutory reserves
2.	Other revenue reserves
3.	Currency translation differences
4.	Goodwill arising on consolidation
III.	Net income attributable to the Group
1.	Consolidated net income of the controlling interests
IV.	Non-controlling interests
1.	in the capital
2.	in the net income

B. Subordinated liabilities

C. Technical provisions

I.	Unearned premiums
1.	Gross amount
2.	less: portion for outward reinsurance business
II.	Actuarial reserve
1.	Gross amount
2.	less: portion for outward reinsurance business
III.	Provision for outstanding claims
1.	Gross amount
2.	less: portion for outward reinsurance business
IV.	Provision for performance-based and non-performance-based bonuses and rebates
V.	Equalization provision and similar provisions
VI.	Miscellaneous technical provisions
1.	Gross amount
2.	less: portion for outward reinsurance business

Carried forward:

		Note		Dec. 31, 2021	Dec. 31, 2020
		19 p. 80 38 p. 96			
			200,000,000.00		200,000,000.00
			16,005,026.00		15,078,635.00
			379,290,840.34		352,826,438.48
			7,693,302.60		-4,769,323.48
		1 p. 75	-35,999,890.82		-35,999,890.82
			366,989,278.12		327,135,859.18
			37,079,747.60		37,390,792.86
			9,127,728.25		8,904,314.38
			772,713.74		784,136.62
			9,900,441.99		9,688,451.00
				613,969,467.71	574,215,103.04
		20 p. 81		30,000,000.00	30,000,000.00
		21 p. 81			
			278,797,122.89		260,664,544.32
			-74,963.33		-23,614.57
			278,722,159.56		260,640,929.75
		22 p. 81			
			2,205,066,757.45		2,082,249,209.21
			0.00		0.00
			2,205,066,757.45		2,082,249,209.21
		23 p. 81			
			1,741,449,838.06		1,612,943,030.42
			-40,110,621.30		-33,815,539.32
			1,701,339,216.76		1,579,127,491.10
			264,719,723.63		248,770,259.87
		24 p. 82			
			129,202,594.78		121,722,714.02
		25 p. 83			
			5,919,748.93		4,056,492.90
			0.00		0.00
			5,919,748.93		4,056,492.90
				4,584,970,201.11	4,296,567,096.85
				5,228,939,668.82	4,900,782,199.89

Consolidated Balance Sheet as of December 31, 2021

Equity and liabilities

(€)

Brought forward:

D. Other provisions

- I. Provisions for pensions and other post-employment benefits
- II. Provisions for taxes
- III. Miscellaneous provisions

E. Deposits received from reinsurers

F. Other liabilities

- I. Liabilities from direct insurance business to
 - 1. policyholders
 - 2. insurance brokers
 - of which to affiliated companies: € 227.48 (Dec. 31, 2020: € 0.00)
- II. Liabilities from reinsurance business
- III. Miscellaneous liabilities
 - of which tax liabilities: € 24,120,593.14 (Dec. 31, 2020: € 20,854,691.19)
 - of which social security liabilities: € 1,763,463.22 (Dec. 31, 2020: € 2,685,304.75)
 - of which to affiliated companies: € 301,539.76 (Dec. 31, 2020: € 446,474.38)

G. Deferred income and accrued expenses

H. Deferred tax liabilities

Total equity and liabilities

		Note		Dec. 31, 2021	Dec. 31, 2020
				5,228,939,668.82	4,900,782,199.89
		26 p. 83	277,927,107.04		267,267,206.00
			26,793,373.36		25,484,879.54
		27 p. 84	113,322,546.93		105,768,312.74
				418,043,027.33	398,520,398.28
		28 p. 85		11,062.39	59,869.41
		29 p. 85			
			31,588,418.43		27,698,717.03
			41,963,931.58		37,935,543.14
			73,552,350.01		65,634,260.17
		29 p. 85	1,160,526.83		3,442,113.70
			59,956,859.31		57,382,104.72
				134,669,736.15	126,458,478.59
		30 p. 85		566,930.57	700,068.68
				561,576.83	1,153,199.36
				5,782,792,002.09	5,427,674,214.21

Consolidated Income Statement for the Period from January 1 to December 31, 2021

Line item

(€)

I. Underwriting account for casualty and property insurance

1. Premiums earned net of reinsurance

a) Gross premiums written

b) Reinsurance premiums ceded

c) Change in gross unearned premiums

d) Change in reinsurers' share of gross unearned premiums

2. Technical interest income net of reinsurance

3. Miscellaneous underwriting income net of reinsurance

4. Claims incurred net of reinsurance

a) Payments for claims

aa) Gross amount

bb) Reinsurers' share

b) Change in provision for outstanding claims

aa) Gross amount

bb) Reinsurers' share

5. Change in sundry net technical provisions

a) Net actuarial reserves

b) Miscellaneous net technical provisions

6. Insurance business operating expenses net of reinsurance

a) Gross insurance business operating expenses

b) less: commissions received and profit sharing received from outward reinsurance business

7. Miscellaneous underwriting expenses net of reinsurance

8. Subtotal

9. Change in the equalization provision and similar provisions

10. Casualty and property insurance underwriting result net of reinsurance

	Note			2021	2020
	32 p. 85	1,533,005,878.35			1,418,499,199.83
		-12,068,732.64			-10,631,805.57
			1,520,937,145.71		1,407,867,394.26
		-17,629,544.47			203,567.30
		51,348.76			23,614.57
			-17,578,195.71		227,181.87
				1,503,358,950.00	1,408,094,576.13
				127,811.00	348,972.00
				1,930,981.84	1,426,100.96
		695,778,104.01			644,987,799.62
		-18,961,506.67			-4,706,009.22
			676,816,597.34		640,281,790.40
		82,324,139.90			56,144,156.82
		-6,295,081.98			-147,772.07
			76,029,057.92		55,996,384.75
				752,845,655.26	696,278,175.15
			0.00		0.00
			90,228.60		1,693,011.80
				90,228.60	1,693,011.80
			648,231,836.67		598,661,813.72
			-911,082.43		-1,088,382.33
				647,320,754.24	597,573,431.39
				1,863,685.39	1,853,259.14
				103,477,876.55	115,857,795.21
				-7,479,880.76	-32,601,205.17
				95,997,995.79	83,256,590.04

Consolidated Income Statement for the Period from January 1 to December 31, 2021

Line item

(€)

II. Underwriting account for health insurance

1. Premiums earned net of reinsurance
a) Gross premiums written
b) Reinsurance premiums ceded
c) Change in gross unearned premiums
d) Change in reinsurers' share of gross unearned premiums
2. Premiums from the gross provision for bonuses and rebates
3. Income from investments
a) Income from equity investments
b) Income from other investments
of which from affiliated companies: € 13,256.88 (2020: € 13,256.88)
aa) Income from land, land rights and buildings, including buildings on third-party land
bb) Income from other investments
c) Income from reversals of write-downs
d) Gains on the disposal of investments
4. Miscellaneous underwriting income net of reinsurance
5. Claims incurred net of reinsurance
a) Payments for claims
aa) Gross amount
bb) Reinsurers' share
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' share
6. Change in sundry net technical provisions
a) Net actuarial reserves
aa) Gross amount
bb) Reinsurers' share
b) Miscellaneous net technical provisions
7. Expenses for performance-based and non-performance-based bonuses and rebates net of reinsurance
8. Insurance business operating expenses net of reinsurance
a) Front-end fees
b) Administrative expenses
c) less: commissions received and profit sharing received from outward reinsurance business
9. Expenses for investments
a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments
b) Depreciation, amortization and write-downs of investments
of which write-downs: € 9,159,794.31 (2020: € 12,899,755.82)
c) Losses on the disposal of investments
10. Miscellaneous underwriting expenses net of reinsurance
11. Health insurance underwriting result net of reinsurance

	Note			2021	2020
	32 p. 85	484,428,940.11			430,179,713.03
		-275,276.45			-400,538.30
			484,153,663.66		429,779,174.73
		-835,137.67			94,700.63
		0.00			0.00
			-835,137.67		94,700.63
				483,318,525.99	429,873,875.36
				5,459,351.15	37,076,795.85
			0.00		0.00
		5,641,337.39			5,270,657.38
		53,483,606.98			52,109,178.69
			59,124,944.37		57,379,836.07
			6,714,166.63		5,852,964.60
			476,659.20		6,392,396.27
				66,315,770.20	69,625,196.94
				19,381,554.24	8,261,941.29
		262,967,092.82			233,284,321.45
		-87,572.26			-760.31
			262,879,520.56		233,283,561.14
		11,283,212.73			6,067,103.42
		0.00			0.00
			11,283,212.73		6,067,103.42
				274,162,733.29	239,350,664.56
		-122,819,152.24			-135,873,915.55
		0.00			0.00
			-122,819,152.24		-135,873,915.55
			-394,789.00		-220,613.00
				-123,213,941.24	-136,094,528.55
	37 p. 92			38,683,793.73	40,095,106.40
		85,967,507.70			66,360,238.83
		11,523,099.54			10,152,446.39
			97,490,607.24		76,512,685.22
			-115,790.62		-140,169.66
				97,374,816.62	76,372,515.56
			4,661,601.59		4,678,729.20
			10,317,863.38		14,043,899.29
			8,560.00		2,845,516.30
				14,988,024.97	21,568,144.79
				3,839,759.64	2,592,967.83
				22,212,132.09	28,763,881.75

Consolidated Income Statement for the Period from January 1 to December 31, 2021

Line item

(€)

III. Non-underwriting account

1. Underwriting result net of reinsurance
a) in casualty and property insurance
b) in health insurance
2. Income from investments, unless listed under II. 3.
a) Income from equity investments of which from affiliated companies: € 344,000.00 (2020: € 309,000.00)
b) Income from associates
c) Income from other investments of which from affiliated companies: € 65,400.00 (2020: € 0.00)
aa) Income from land, land rights and buildings, including buildings on third-party land
bb) Income from other investments
d) Income from reversals of write-downs
e) Gains on the disposal of investments
3. Expenses for investments, unless listed under II. 9.
a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments
b) Depreciation, amortization and write-downs of investments of which write-downs: € 16,995,110.60 (2020: € 7,065,025.84)
c) Losses on the disposal of investments
d) Transfer of losses from associates accounted for using the equity method
4. Technical interest income
5. Market fees for goods and services provided by non-insurance companies
6. Cost of goods and services provided by non-insurance companies to generate market fees
7. Other income
8. Other expenses of which write-downs on goodwill arising on consolidation: € 4,825,348.16 (2020: € 4,825,348.24)
9. Non-underwriting result
10. Profit/loss from ordinary activities
11. Extraordinary income
12. Extraordinary expenses
13. Profit before tax
14. Income taxes of which resulting from the change in recognized deferred taxes: tax income of € 591,622.53 (2020: tax expense of € 1,779,756.68)
15. Miscellaneous taxes
16. Net income for the year
17. of which non-controlling interests

	Note		2021	2020
			95,997,995.79	83,256,590.04
			22,212,132.09	28,763,881.75
			118,210,127.88	112,020,471.79
		1,248,718.27		659,000.00
		5,499,049.59		2,960,234.25
		17,181,614.36		17,174,323.72
		27,905,427.45		25,321,715.66
		45,087,041.81		42,496,039.38
		8,546,067.50		12,029,685.91
		4,693,073.10		3,077,259.22
			65,073,950.27	61,222,218.76
		13,863,912.98		14,722,674.15
		21,469,457.17		11,360,810.52
		629,850.60		4,369,887.39
		0.00		0.00
			35,963,220.75	30,453,372.06
			29,110,729.52	30,768,846.70
			-127,811.00	-348,972.00
			25,136,770.16	23,032,188.29
			24,282,118.11	23,079,288.44
			29,795,043.57	29,389,014.31
			91,115,230.63	88,537,007.19
			-61,320,187.06	-59,147,992.88
			-31,482,616.49	-28,775,218.33
			86,727,511.39	83,245,253.46
	35 p. 90		0.00	0.00
	35 p. 90		0.00	0.00
			0.00	0.00
			86,727,511.39	83,245,253.46
	36 p. 90		48,071,682.67	41,662,463.80
			803,367.38	3,407,860.18
			48,875,050.05	45,070,323.98
			37,852,461.34	38,174,929.48
			-772,713.74	-784,136.62

Notes to the Consolidated Financial Statements

I. Disclosures on the Basis of Consolidation, Accounting Policies, and Consolidation Methods

Legal basis of preparation

ARAG Holding SE is entered in the commercial register of the Düsseldorf local court under the number HRB 66673. Its registered office is ARAG Platz 1, 40472 Düsseldorf, Germany. The consolidated financial statements of ARAG Holding SE and the group management report are prepared in accordance with the requirements of the German Commercial Code (HGB) for large corporations and with the supplementary provisions for insurance companies dated November 8, 1994 (Regulation on the Accounting of Insurance Undertakings, RechVersV), in particular in compliance with the requirements on consolidated accounting pursuant to sections 341i and 341j HGB and sections 58–60 RechVersV and with the German accounting standards (GAS). The latter are applied to the extent that they do not limit accounting consistency and to the extent that they are material to the reporting of the Group's net assets, financial position, and results of operations.

In accordance with section 291 (1) HGB, these consolidated financial statements exempt those group companies that are obliged to prepare consolidated financial statements under section 290 HGB from that obligation.

The consolidated financial statements are presented on the basis of financial statement forms 1 and 4 pursuant to section 58 (1) RechVersV. The forms are supplemented to reflect Group-specific characteristics and items relating to non-insurance business.

The single-entity financial statements of the entities included in the consolidated financial statements are nearly all prepared in accordance with the same accounting policies used by the ARAG Group. With the exception of associates, the financial statements of Group companies that are not prepared in accordance with the requirements of the HGB and RechVersV are reconciled with regard to recognition, presentation, and valuation and brought into line with German accounting standards.

The associates' accounting policies generally differ from German accounting principles. One equity investment based in Switzerland prepares its financial statements in accordance with the Swiss Code of Obligations (OR). The financial statements are not reconciled because the foreign accounting policies are largely similar to those of the HGB.

Basis of consolidation

As of December 31, 2021, 37 subsidiaries were included in the consolidated financial statements pursuant to section 301 (1) HGB (December 31, 2020: 35). A total of nine entities were not included in the consolidated financial statements pursuant to section 296 (1) no. 2 HGB because they were deemed to be of minor significance to the presentation of the Group's net assets, financial position, and results of operations. One Group company was consolidated as an associate pursuant to section 311 HGB.

As of December 31, 2021, the basis of consolidation excluding associates comprised six insurance companies (December 31, 2020: six), three service companies in the field of information technology and business organization (December 31, 2020: three), two real-estate management companies (December 31, 2020: two), three investment

vehicles (December 31, 2020: three), 19 other service companies (December 31, 2020: 17), and five holding and asset management companies (including the parent company, ARAG Holding SE; December 31, 2020: five).

The following companies are included in the consolidated financial statements:

Name of company	Shareholding (%)
1 AFI Verwaltungs-Gesellschaft mbH, Düsseldorf	100.00
2 ALIN 1 Verwaltungs-GmbH, Düsseldorf	100.00
3 ALIN 2 Verwaltungs-GmbH, Düsseldorf	100.00
4 ALIN 4 Verwaltungs-GmbH, Düsseldorf	94.01
5 ALIN 1 GmbH & Co. KG, Düsseldorf	100.00
6 ALIN 2 GmbH & Co. KG, Düsseldorf	100.00
7 ALIN 4 GmbH & Co. KG, Düsseldorf	94.01
8 ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Düsseldorf	100.00
9 ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf	94.90
10 ARAG Allgemeine Versicherungs-AG, Düsseldorf	100.00
11 ARAG Digital Services AS, Oslo/Norway	100.00
12 ARAG Gesundheits-Services GmbH, Düsseldorf	100.00
13 ARAG Holding SE, Düsseldorf, Group parent company	100.00
14 ARAG Insurance Company Inc., Des Moines, Iowa/USA	100.00
15 ARAG International Holding GmbH, Düsseldorf	100.00
16 ARAG IT GmbH, Düsseldorf	100.00
17 ARAG Krankenversicherungs-AG, Munich	94.01
18 ARAG Legal Services B.V., Leusden/Netherlands	100.00
19 ARAG Legal Solutions Inc., Toronto/Canada	100.00
20 ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf	100.00
21 ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf	100.00
22 ARAG LLC, Des Moines, Iowa/USA	100.00
23 ARAG North America Inc., Des Moines, Iowa/USA	100.00
24 ARAG plc, Bristol/United Kingdom	100.00
25 ARAG Scandinavia AS, Oslo/Norway	100.00
26 ARAG SE, Düsseldorf	100.00
27 ARAG Service Center GmbH, Düsseldorf	100.00
28 ARAG Services Australia Pty. Ltd., Sydney/Australia	100.00
29 ARAG Services Corporation, Toronto/Canada	100.00
30 ARAG Services LLC, Des Moines, Iowa/USA	100.00
31 CUR Versicherungsmakler GmbH, Düsseldorf	100.00
32 Cura Versicherungsvermittlung GmbH, Düsseldorf	100.00
33 HelloLaw GmbH, Cologne	100.00
34 HELP Forsikring AS, Oslo/Norway	100.00
35 Interlloyd Versicherungs-AG, Düsseldorf	100.00
36 Jurofoon B. V., Leusden/Netherlands	100.00
37 Justix GmbH, Cologne	100.00
38 SolFin GmbH, Düsseldorf	84.79

The following company is included as an associate:

Name of company	Shareholding (%)
1 AXA-ARAG Rechtsschutzversicherungsgesellschaft, Zurich/Switzerland	29.17

The following entities are not included in the consolidated financial statements in accordance with section 296 (2) and section 311 (2) HGB:

Name of company	Shareholding (%)	Equity (€)	Net income/ loss for the year (€)
1 Agencia de Seguros ARAG S. A., Barcelona/Spain ¹⁾	100.00	234,571.95	64,503.59
2 ARAG Services Spain & Portugal S. L., Barcelona/Spain ²⁾	100.00	622,811.99	85,432.58
3 ARAG – France S. A. R. L. Assistance et Règlement de Sinistres Automobiles et Généraux, Versailles/France	100.00	18,988.00	0.00
4 ARAG Legal Protection Ltd, Dublin/Republic of Ireland	100.00	559,505.73	116,071.96
5 COLUMBUS Immobilien Fonds XVI GmbH & Co. KG, Munich ¹⁾	55.57	881,780.88	- 570,505.23
6 Easy2claim Limited, Bristol/United Kingdom (inactive)	100.00	1.13	0.00
7 Multiline Insurance Agency (MIA) S. r. l., Verona/Italy	100.00	102,718.81	- 79,133.78
8 Prinzregent Vermögensverwaltungs-GmbH, Düsseldorf	100.00	33,612.68	102.89
9 VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf	100.00	206,471.98	175,003.64

¹⁾ Figures from the financial statements for the year ended December 31, 2020.

²⁾ Figures from the financial statements for the year ended December 31, 2019.

1 Procedures of consolidation

The consolidated financial statements are prepared on the basis of the single-entity financial statements of the Group companies. The financial year covered the period January 1 to December 31, 2021 and was identical to the financial years of the consolidated companies. Up to and including 2010, the accounting for subsidiaries in consolidated financial statements was based on the carrying amount method; the revaluation method used in subsequent years involved subtracting the equity attributable to the Group at the time of initial consolidation from the cost of the equity investments in the consolidated subsidiaries. If no interim financial statements were available at the time of integration into the Group, this calculation was carried out on the basis of the first set of annual financial statements following the integration. Where subtracting the equity attributable to the Group at the time of initial consolidation from the cost resulted in a positive difference, the carrying amounts of assets of the relevant subsidiaries were written up accordingly if there was the flexibility to do so in their valuation. Where there was no further scope to do so, the remaining amount was recognized as goodwill and amortized over its estimated useful life. This useful life is estimated on an individual basis but is not permitted to exceed 15 years. If a future benefit from goodwill is no longer expected, the remaining amount is written off. No write-offs were recognized in the reporting year.

In the case of subsidiaries that were already included in the consolidated financial statements in 1989 in accordance with section 27 of the Introductory Act to the German Commercial Code (EGHGB) or in cases where negative goodwill had arisen on acquisition that had affected the financial statements of the parent company in previous years, there was an offsetting against revenue reserves in earlier years (goodwill arising on consolidation). Goodwill amounts on initial consolidation have not been offset against revenue reserves since 2010 because this is no longer permitted under section 301 (3) HGB and GAS 23 nos. 84 and 91.

On deconsolidation of a subsidiary, the proceeds from the disposal are offset against the consolidated (residual) carrying amounts of the assets and liabilities attributable to that subsidiary, including any goodwill that has not already been offset. The share of non-controlling interests in the deconsolidated entity is derecognized in consolidated equity. A subsidiary is deconsolidated when the majority shareholders of the Group cease to have control pursuant to section 290 (2) HGB over the subsidiary. No subsidiaries were deconsolidated in 2021.

The investment in the associate is recognized at the proportion of equity attributable to the Group pursuant to section 312 HGB. On initial application, the equity method is based on the values at the time of acquisition or at the time of preparation of the first annual financial statements after the acquisition because interim financial statements are not available. The different valuation of the assets and liabilities in the associate's financial statements compared with the valuation under commercial law is not adjusted for the purpose of applying the equity method because the impact is not material.

Intercompany profit that is required to be eliminated is deducted from the carrying amounts of the affected assets and recognized in the income statement, provided that, overall, the amounts concerned are material to presenting a true and fair view of the net assets, financial position, and results of operations. Group companies' receivables from, and liabilities to, other Group companies are offset against each other. Intragroup reinsurance arrangements are eliminated.

Consolidated entities' sales revenue from the provision of goods and services to other consolidated entities is offset against the associated expenses incurred by the providing entity because the reallocation of secondary costs among the consolidated insurance companies means that the offset expenses for the provision of goods and services are already assigned to the correct functional area. Mark-ups included in the offset amounts are deducted under other net income/expense.

Consolidated insurance companies' brokerage services provided to other consolidated insurance companies are performed on the basis of arm's-length terms and conditions that are typical in the market. Commission resulting from brokerage and income from goods and services provided by other Group companies to Group insurance companies are consolidated at the level of the providing entity by offsetting the income against the related expenses.

Currency translation

Balance sheets prepared in foreign currencies are translated into euros using the modified closing-rate method. In this method, assets and liabilities (but not equity items) are translated at the middle spot rate on the balance sheet date. Amounts on the income statement that are recognized for the period are translated at an average of the month-end exchange rates in the reporting year. An amount of €12,462,626.08, representing the proportion attributable to the Group of the difference between the equity items translated at the historical exchange rate and the equity items translated at the closing rate, was transferred to revenue reserves directly in equity (currency translation differences). Currency translation differences that arise as part of the consolidation of intragroup balances are derecognized through the income statement. Intercompany profits are not affected by exchange rates.

Transactions denominated in foreign currency in single-entity financial statements are translated at the spot rate on the date of the transaction. In this case, income and expenses are translated at the same exchange rate used for the balance sheet items concerned. The quoted market price or market value for shares in affiliated companies and equity investments denominated in foreign currency is determined by using the middle spot rate on the reporting date; all other assets are valued using the lower of the exchange rate on the date of payment or the exchange rate on the balance sheet date. The sundry assets and liabilities with a residual maturity of up to one year are translated using the middle spot rate on the balance sheet date, disregarding the historical cost convention and the realization principle.

Recognition, valuation, and presentation methods

The consolidated balance sheet and consolidated income statement are presented on the basis of financial statement forms 1 and 4 prescribed by the RechVersV.

Because the Group has multiple lines of business, the line items 'Market fees for goods and services provided by non-insurance companies' and 'Cost of goods and services provided by non-insurance companies to generate market fees' have been added to the income statement.

2 Goodwill results partly from accounting for subsidiaries in consolidated financial statements and partly from acquisitions.

In accordance with GAS 23 no. 115, the amortization period is defined on the basis of the estimated useful life. Up to 2010, this was assumed to be 15 years (value of in-force business) for insurance companies or otherwise estimated at up to five years on a case-by-case basis. Since 2010, useful lives of more than ten years have no longer been applied based on the principle stated in section 253 (3) sentence 4 HGB. Goodwill with a remaining useful life of more than five years amounted to €5,623,919.54 as of December 31, 2021 (December 31, 2020: €6,561,239.42). The useful life was originally set at 15 years because the goodwill was defined as in-force business.

3 Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets are recognized at cost less straight-line amortization. The carrying amount of €9,314,536.10 can be broken down as follows: €6,181,475.62 for software, €9,302.50 for leasehold improvements in business premises in Italy, €69,836.98 for industrial property rights and licenses, and €3,053,921.00 relating to in-force business from the acquisition of contracts in the Republic of Ireland in 2019. Software is amortized on a straight-line basis over three to five years. Leasehold improvements are amortized over the remaining term of the leases (one year) using the straight-line method. Most of the industrial property rights and licenses are not amortized (recognition at a fixed value), useful lives of ten and 25 years are applied for special licenses. The goodwill arising from the acquisition of a portfolio is being amortized over ten years. No write-downs were recognized in 2021.

4 Land and buildings are valued at cost less depreciation and are written down in accordance with the discretionary principle of lower of cost or market value. The useful life is generally recognized at 40 years for office buildings and 50 years for residential buildings. They are depreciated using the straight-line method. Write-downs of €0.00 (2020: €7,477,874.00) were recognized in the year under review in respect of land owing to anticipated permanent asset impairment. Reversals of write-downs were recognized in an amount of €2,238,271.46 (2020: €2,179,703.25) because the reasons for the recognition of the original write-down no longer applied. No land is encumbered by land charges used as collateral for liabilities to banks.

5 Shares in non-consolidated affiliated companies and miscellaneous equity investments are carried at cost in accordance with section 253 (1) HGB, less write-downs resulting from long-term impairment. In the reporting year, write-downs of €3,687,737.87 were recognized on non-consolidated affiliated companies (2020: €255,658.94) and of €0.00

on miscellaneous equity investments (2020: €721,506.00). No reversals of write-downs pursuant to section 253 (5) HGB were recognized on shares in non-consolidated affiliated companies, but such reversals were recognized in an amount of €1,867,052.96 (2020: €0.00) on miscellaneous equity investments. **Investments in associates** are valued at their carrying amount at the time the shares were acquired or at the time of initial consolidation, plus or minus the pro rata amount of changes in equity in subsequent years. The goodwill arising from using the equity method at the time of initial consolidation is already fully amortized.

Lending to long-term investees and investors is recognized at cost, net of any repayments of principal. Reversals of write-downs were recognized in an amount of €0.00 (2020: €287,907.00) because there was a recovery in value.

6 Equities, investment fund shares/units, and other variable-yield securities are generally valued at the lower of cost or market price/market value as of the reporting date in accordance with section 341b (2) HGB in conjunction with section 253 (1), (4), and (5) HGB. The option to select the discretionary principle of lower of cost or market value pursuant to section 341b (2) second half-sentence HGB was used. The Group's insurance companies have designated most institutional investment fund shares/units permanently as part of the working capital of the insurance business. Subsequent valuation of the investment fund shares/units classified as fixed assets is based on the long-term value. The long-term fund value is calculated by reviewing the individual components of the fund. Criteria for reviewing long-term changes in the value of fixed-income securities include their credit rating and nominal amount. Comparisons with historical valuation parameters are used for equities. If there is long-term impairment, the investment fund shares/units are written down to the sum of the long-term values of the securities in the investment fund. Write-downs are reversed up to the amount of the historical cost if there is a sustained price recovery. Shares/units in private-equity funds and infrastructure funds that are recognized for the first time under investment fund shares/units are valued at the lower of cost or fair value on the reporting date. The fair value as of the reporting date is reviewed on the basis of the net asset values (NAVs) reported by the fund management companies. If the reason for the original write-down no longer applies, write-downs are reversed to the historical cost. In the reporting year, write-downs amounting to €8,297,631.03 were recognized due to expected permanent impairment (2020: €9,263,013.64). Reversals of write-downs pursuant to section 253 (5) HGB were recognized in an amount of €10,555,891.78 in 2021 (2020: €12,697,238.79).

The designation of institutional fund shares/units for permanent use in business operations resulted in undisclosed liabilities of €290,394.06 (December 31, 2020: €0.00) due to write-downs not being recognized. As of December 31, 2021, the total fair value was €261,359 thousand more than the carrying amount (December 31, 2020: €129,317 thousand more than the carrying amount).

- 7 Bearer bonds and other fixed-income securities** are generally valued in accordance with the requirements for current assets pursuant to section 253 (1) sentence 1, (4), and (5), and section 256 HGB. In accordance with section 341b (2) second half-sentence HGB, some of the bonds and securities have been classified for permanent use in business operations. Because of this subset of bonds and securities being classified in this way, no undisclosed liabilities had arisen as of December 31, 2021 as any impairment was assumed to be only temporary and no write-downs were therefore recognized. Reversals of write-downs were recognized in an amount of €599,017.93 in 2021 (2020: €2,717,801.47) because there was a recovery in value. Write-downs of €14,169,536.01 had to be recognized (2020: €1,594,949.55).
- Unlike in the previous year, bearer bonds treated as fixed assets were treated in the same way as registered bonds in terms of amortization of premiums and discounts. However, the effective interest method was used rather than the straight-line method that is used for registered bonds. Because the premiums and discounts are recognized in the carrying amount of the securities themselves rather than under prepaid expenses and accrued income and under deferred income and accrued expenses, this treatment led to the addition and derecognition of assets, albeit on an insignificant scale.
- 8 Loans secured by mortgages or land charges and fixed-income receivables, and other investments** are accounted for at fair value. No write-downs were recognized pursuant to section 253 (3) sentence 5 HGB.
- 9 Registered bonds** are accounted for at their nominal amount. Discounts are deferred using the straight-line method. Premiums are capitalized and recognized in income using the straight-line method over the term to maturity.
- 10 Promissory notes and loans** are recognized at cost less repayments made. In addition to the nominal amount, premiums and discounts are recognized at cost. They are taken to income over the term to maturity using the effective interest method and are recognized as interest income or treated as negative interest income. Premiums and discounts were amortized using the effective interest method for the first time in the year under review. **Sundry lending** comprises miscellaneous loans; this lending is recognized and measured in the same way as promissory notes and loans.
- 11 Bank deposits** are recognized at their nominal amount. **Other investments** comprise shares in cooperatives. They are valued at cost. **Deposits with ceding insurers** are recognized at the nominal value of the collateral furnished to cedants. The residual maturity is less than one year because the contracts are renewed annually.
- 12 Receivables** are generally recognized at their nominal amount. A general allowance for latent credit risk is deducted from receivables from policyholders and from trade receivables. Receivables from agents are reduced by specific allowances and a general allowance in the amount of the likely level of default.
- 13** In accordance with section 253 (1) sentence 1 HGB, **property and equipment** is recognized at cost and depreciated on a straight-line basis over the standard operating useful life.

- 14 Inventories** are determined by carrying out physical inventory checks. They are valued at cost and reduced by appropriate write-downs to account for storage risk and impaired marketability.
- 15 Current bank balances, checks, and cash on hand**, together with **other assets**, are recognized at their nominal amounts. Other assets include tax assets of €25,786.8 thousand (December 31, 2020: €26,619.6 thousand), interest receivables of €0.0 thousand in respect of tax assets (December 31, 2020: €4.1 thousand), insurance assets of €84.9 thousand (December 31, 2020: €88.1 thousand), and miscellaneous items amounting to €204.7 thousand (December 31, 2020: €252.7 thousand).
Asset values relating to reinsurance are recognized at the amount provided by the insurance company.
- 16 Prepaid expenses and accrued income** mainly consist of accrued rights to interest that are not yet due in respect of the income period before the balance sheet date and of cash payments expensed after the balance sheet date. This line item also includes an amount of €1,969,064.38 (December 31, 2020: €1,612,104.93) stemming from the difference pursuant to section 341c (2) sentence 2 HGB.
- 17 Deferred tax assets** include the likely tax benefit in subsequent financial years based on the income tax rates expected to apply when differences reverse. If differences arise between the carrying amounts in the HGB consolidated financial statements and those in the tax base as a result of consolidation adjustments and these differences are expected to reverse in subsequent years, deferred taxes are recognized in respect of these differences using separate entity-specific tax rates. This also includes differences for which the timing of the reversal is not yet precisely known or depends on action by the entity concerned, and differences that would only reverse in the event of any liquidation. Deferred tax assets are not recognized in respect of tax loss carryforwards.
- 18 The excess of plan assets over pension liabilities** is the asset balance of pension obligations at present value and the fair value of the securities held to cover these liabilities.
- 19 Group equity:** Group equity is presented in detail in the statement of changes in group equity. These items are broken down in accordance with GAS 22. The subscribed capital of the Group's parent company amounts to €200,000,000.00. It is divided into 200,000 no-par-value shares. All of the shares are registered. The subscribed capital is fully paid up.
The parent company plans to appropriate an amount of €10,000,000.00 from the profits generated in 2021, to be paid as a dividend to the shareholders. In principle, amounts equivalent to net deferred tax assets and assets intended to cover defined benefit obligations, where such assets are valued at a fair value that exceeds cost, are prohibited from being distributed as a dividend under section 268 (8) HGB. Furthermore, section 253 (6) HGB specifies that the difference arising from the measurement of obligations for pensions and other post-employment benefits using the ten-year market discount rate average compared with that based on the seven-year market discount rate average can only be distributed as a dividend from freely available reserves. As the single-entity financial statements of the parent company ARAG Holding SE only partially include such items, or do not include them at all, and, furthermore, these consolidated financial statements do not serve as the basis for the measurement of any dividend distribution, there is no need to

disclose any amounts subject to a restriction on distribution, even though there are circumstances that give rise to a prohibition, in principle, on the distribution of certain amounts as a dividend. In any case, there are sufficient freely available reserves at Group level to satisfy the requirements in full. The articles of incorporation do not include any restrictions on the use of profits.

- 20 Subordinated liabilities** have been issued by way of a private placement to strengthen the own funds used to determine the solvency ratio. The subordinated liabilities are recognized at their repayment amount (= settlement amount). The registered bonds are not tradable in Germany on a regulated market within the meaning of section 2 (5) of the German Securities Trading Act (WpHG).
- 21 Gross unearned premiums** for direct insurance business are calculated pro rata on the basis of the premiums and lapses/cancellations posted, less the installment surcharges. In accordance with a circular from the German Federal Ministry of Finance (BMF) dated April 30, 1974, the non-transferable income components are deducted from the unearned premiums for the domestic parts of the business of the Group's insurance companies. A total of 85 percent of the commissions and other remuneration for agents is recognized as non-transferable income components. The capitalized portion of the acquisition costs is deducted from the unearned premiums for the non-German parts of the business. The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements.
- 22 The actuarial reserve for health insurance** is calculated in accordance with actuarial principles defined in the technical basis of calculation individually for each insurance policy, applying the underlying data from the insurance policy in question. Moreover, the actuarial reserve also contains transfer amounts received as a result of additions and the transfer amounts still to be surrendered owing to lapses as of the balance sheet date. The average discount rate is 2.39 percent. The components of premiums from anticipated premium-free children's accident insurance policies are added to the **children's accident actuarial reserves**. The calculation is carried out using mathematical principles in accordance with the underwriting business plan.
- 23 The provision for outstanding claims** in relation to direct casualty and property insurance business is recognized separately by event year for claims reported in the financial year concerned and for anticipated claims that are reported after the balance sheet date. The estimate process for group valuations for direct legal insurance business in Germany was amended in the reporting year, bringing it into line with the findings from the regulatory estimate in the context of Solvency II. This adjustment did not give rise to any material changes with an impact on the Group's net assets, financial position, and results of operations in the year under review. 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. Recourse claims that are expected to be recovered in the next year are deducted from the property insurance companies' claims

provision. The benefit reserve for annuities contained in the provision for outstanding claims is calculated individually using actuarial principles and in accordance with the Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV) – based on an entity-specific discount rate of 0.25 percent – by the Company’s appointed actuary, taking the expenses required for settlement into account.

The provision for outstanding claims in the inward reinsurance business is recognized in accordance with the information provided by the primary insurer. The provision for outstanding claims in connection with the inward reinsurance business from the United Kingdom is determined on the basis of past experience and statistics produced by the Group’s own local claims settlement company. For inward after-the-event (ATE) business from Canada, an additional reserve was recognized on the basis of inhouse actuarial calculations because the reserve provided by the primary insurer is clearly insufficient. In the case of inward reinsurance business that is treated as direct insurance business because the reinsurer settles the claims, the provision is recognized in accordance with the same principles as apply to direct insurance business. The proportions relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties. In the year under review, currency-related adjustments to the claims reserves were applied on the basis of exchange rates at the end of each quarter. The resulting exchange differences were recognized under other net income/expense. The valuation method used for inward reinsurance business was the same one used in the previous year.

Technical interest income is calculated at 0.25 percent of the arithmetic mean of the opening and closing balances of the actuarial reserve and the benefit reserves for annuities in the casualty and property insurance segment.

The provision for claims that had occurred by the balance sheet date but were **still outstanding in health insurance** was recognized on the basis of the claims payments in the reporting year in respect of previous years, taking a volume increase into consideration. One-off items that had not occurred in previous years, such as a processing backlog, were taken into account separately.

The expenses that are likely to be incurred after the balance sheet date for settling claims from previous years were determined 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 figures are not discounted.

24 The **equalization provision** is recognized for the EU territory (excluding Sweden and Denmark) and for Canada in accordance with section 341h HGB in conjunction with section 29 RechVersV. The equalization provision for the US, Norway, Sweden, and Denmark territories is calculated, where required, according to local regulatory rules.

25 The **lapse provision** (reported under **miscellaneous technical provisions**) for discontinuation and reduction of risk in direct insurance business was calculated using a lapse rate based on empirical values in the year under review. The breakdown by individual insurance segment is based on the allocation formula for premiums. The **provision recognized for premium waivers** relates to the scales of rates offered in the property and casualty insurance business under which the obligation to pay the premiums is waived for up to five years, e.g. in the event of unemployment. The provision offsets the expenses that are likely to be incurred (claims, costs, commissions) during the period of unemployment. The expected duration of the waiver of premiums is estimated on the basis of internal statistical analysis. The **provision for assistance for victims of traffic accidents** is, where available, recognized on the basis of the share specified by the German Road Casualty Support Organization (VOH), otherwise on the basis of empirical values.

26 In accordance with standard international practice, the **provisions for pensions and other post-employment benefits** are calculated using the projected unit credit (PUC) method and applying section 253 (1) sentence 2 HGB on the basis of the Heubeck 2018 G mortality tables or local mortality tables that accurately reflect life expectancy outside Germany. In addition to current circumstances, future trends in salaries, pensions, and staff turnover are taken into account. In accordance with section 253 (2) sentence 2 HGB, the discount rate used is the average interest rate for the past ten years published by Deutsche Bundesbank in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) for an assumed residual maturity of 15 years. As a result of using a ten-year discount rate, the provision for pensions and other post-employment benefits as of December 31, 2021 was €22,599,993.00 lower than if the seven-year discount rate had been used (December 31, 2020: €28,519,496.00 lower).

The following actuarial parameters were used to calculate the obligations: pension age: earliest possible age under the Pension Age Reform Act (RVAGAnpG) in Germany, in accordance with individual agreements in Austria, 65 years in Spain; annual increase in salaries: 2.5 percent (December 31, 2020: 2.5 percent); annual increase in pension benefits: 1.75 percent (December 31, 2020: 1.75 percent); discount rate: 1.87 percent (December 31, 2020: 2.30 percent; discount rate pursuant to section 253 (2) sentence 2 HGB, ten-year average) and 1.35 percent (December 31, 2020: 1.60 percent; seven-year average).

The level of staff turnover taken into account reflects the generally observable age-dependent average for the industry (1.5 percent or sliding scale linked to age) and has only a minor impact on the settlement value. The settlement value includes a shortfall in pension funds used to cover pension commitments to employees. The shortfall has been caused by the long period of low interest rates and amounted to €635,534.12 as of December 31, 2021 (December 31, 2020: €779,925.24). This shortfall has been determined in accordance with actuarial principles and reported as a pension obligation.

Since 2010, assets that are protected from the claims of all other creditors and are used solely to settle liabilities arising from pension obligations have been offset against the obligation. This line item is therefore calculated as follows:

Net provisions for pensions and other post-employment benefits		
(€)	Dec. 31, 2021	Dec. 31, 2020
Amount required to settle the vested entitlements	282,273,579.04	271,732,516.60
Netted assets (fair value)	-4,346,472.00	-4,465,310.60
Amount reported on the balance sheet	277,927,107.04	267,267,206.00

The netted assets consist of reinsurance assets equating to the value of the pension obligations and two securities with a cost of €2,417,720 recognized at a fair value of €2,534,820 (December 31, 2020: €2,618,070).

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

27 Miscellaneous provisions: Provisions for early retirement obligations are recognized for those persons with whom individual contractual agreements have been reached. The provisions are calculated using actuarial principles; as of the reporting date, the amounts were discounted to present value using a discount rate of 1.35 percent (December 31, 2020: 1.60 percent). In 2021, a **provision in accordance with the pre-retirement part-time employment agreement** for the private insurance industry dated June 11, 1997, based on the Accounting Principle issued by the Main Technical Committee of the Institute of Public Auditors in Germany (IDW AcP HFA 3) dated November 18, 1998, was recognized using a maturity-matched discount rate of 1.35 percent (2020: 1.60 percent). In the case of deferred beneficiaries with whom a specific agreement has not yet been reached, the probability of their making use of the early retirement arrangements and natural employee turnover were taken into account. Credit balances on employee working hours accounts models are protected against insolvency in accordance with section 8a of the German Pre-Retirement Part-Time Employment Act (AltTZG) by means of a fixed liability guarantee from a German commercial bank. A **long-service provision** was recognized in the year under review for long-service awards to be paid to employees. The provision was calculated using the projected unit credit method taking into account death rates in accordance with the Heubeck 2018 G mortality tables and applying a discount rate of 1.35 percent (2020: 1.60 percent). The calculation also included staff turnover at an average rate of 1.50 percent and salary increases at a rate of 2.50 percent. The earliest possible pension age under the RVAGAnpG was selected as the final age.

The **sundry provisions** and the **provisions for taxes** are recognized in the amount that is necessary to settle the obligation according to prudent business practice.

Interest income of €282.91 (2020: €3,820.06) and interest expenses of €170,145.44 (2020: €139,031.61) arose from the discounting of provisions with a maturity of more than one year.

- 28** **Deposits received from reinsurers** and **other liabilities** are recognized at their settlement value. The residual maturity is less than one year in each case.
- 29** The **liabilities from direct insurance business** and **liabilities from reinsurance business** are valued at their settlement value (nominal amount). Liabilities denominated in foreign currency are translated using the middle spot exchange rate as of the reporting date, disregarding both the historical cost convention and the realization principle. The residual maturity is less than one year in each case.
- 30** **Deferred income and accrued expenses** contain differences pursuant to section 341c (2) sentence 1 HGB of €183,064.11 (December 31, 2020: €209,222.66).
- 31** **Associates**
The total goodwill arising on the consolidation of associates using the equity method amounted to €0.00 as of December 31, 2021 (December 31, 2020: €0.00) as this goodwill had already been fully amortized. Accordingly, no amortization or write-downs were recognized on the goodwill of associates in 2021.

II. Source of Insurance Business by Premiums Written

- 32** Of the **gross premiums written**, a sum of €1,720,521.6 thousand was attributable to direct insurance business (2020: €1,590,165.3 thousand) and €296,913.2 thousand to inward reinsurance business (2020: €258,513.7 thousand). Premiums from direct insurance business consisted of €1,148,658.7 thousand from Germany (2020: €1,063,169.7 thousand), €364,499.4 thousand from other member states of the European Community and other countries that have signed up to the Agreement on the European Economic Area (EEA) (2020: €347,309.7 thousand), and €207,363.5 thousand from non-EEA countries (€179,685.9 thousand).
The ARAG Group does not operate any insurance business outside Europe, North America, or Australia.

33 III. Changes in Asset Items A., B. I. to III. in the Financial Year 2021

Changes in asset items

(€'000)	Carrying amount as of Jan. 1, 2021	Additions	Additions/ disposals in basis of consolidation	Reclassifications
A. Intangible assets				
1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	11,470	3,451	62	0
2. Goodwill	11,427	782	0	0
Total for A.	22,897	4,233	62	0
B. I. Land, land rights and buildings, including buildings on third-party land	182,119	8,364	0	0
B. II. Investments in affiliated companies and equity investments				
1. Shares in affiliated companies	2,430	2,750	0	0
2. Lending to affiliated companies	0	0	0	0
3. Equity investments	12,493	5,677	0	165
4. Lending to long-term investees and investors	3,750	0	0	0
Total for B. II.	18,673	8,427	0	165
B. III. Miscellaneous investments				
1. Equities, investment fund shares/units, and other variable-yield securities	1,554,479	483,407	0	201,854
2. Bearer bonds and other fixed-income securities	1,821,023	402,553	0	0
3. Loans secured by mortgages or land charges and fixed-income receivables	0	0	0	0
4. Miscellaneous lending				
a) Registered bonds	567,030	22,000	0	0
b) Promissory notes and loans	497,478	19,162	0	0
c) Loans and prepayments for certificates of insurance	0	0	0	0
d) Sundry lending	80	40	0	0
5. Bank deposits	59,783	0	0	0
6. Other investments	160,388	59,585	0	-202,019
Total for B. III.	4,660,260	986,747	0	-165
Total	4,861,052	1,003,539	0	0

Land, land rights and buildings on third-party land with a carrying amount of €128,937,782.58 (December 31, 2020: €130,269,069.80) are used for the insurance business operations of Group companies.

Disposals	Exchange-rate adjustments	Reversals of write-downs	Write-downs	Carrying amount as of Dec. 31, 2021	Fair value pursuant to sec. 54 RechVersV	Valuation reserve
10	98	0	5,757	9,315		
0	79	0	4,960	7,328		
10	177	0	10,717	16,642		
117	101	2,238	5,632	187,072	388,091	201,019
0	0	0	3,688	1,492	6,036	4,544
0	0	0	0	0	0	0
3,242	489	1,867	0	17,450	72,982	55,532
0	0	0	0	3,750	3,750	0
3,242	489	1,867	3,688	22,692	82,768	60,076
414,606	1,606	10,556	8,298	1,828,999	2,090,358	261,359
134,703	12,028	599	14,170	2,087,330	2,205,503	118,173
0	0	0	0	0	0	0
15,000	0	0	0	574,030	646,948	72,918
30,474	0	0	0	486,166	528,808	42,642
0	0	0	0	0	0	0
43	0	0	0	76	76	0
13,130	216	0	0	46,868	46,868	0
17,938	0	0	0	16	16	0
625,896	13,851	11,155	22,467	5,023,485	5,518,578	495,093
629,255	14,441	15,260	31,787	5,233,249	5,989,437	756,188

IV. Other Disclosures

Investment fund disclosures

The portfolio of investments contains the following investment funds, of which more than 10 percent is held by the Group:

Institutional funds

Name	Type of fund	Investment objective	Carrying amount as of Dec. 31, 2021	Market value as of Dec. 31, 2021	Difference	Dividend in 2021	Redemption
			(€)	(€)	(€)	(€)	
ARRE	Mixed fund	Increased income	376,630,305.05	390,719,047.98	14,088,742.93	977,883.16	At any time
ARI 1	Fixed-income fund	Increased income	140,325,010.57	140,034,616.51	-290,394.06	984,815.68	At any time
ARI 2	Fixed-income fund	Increased income	117,732,500.32	117,732,500.32	0.00	886,316.15	At any time
ALLTIRENT	Fixed-income fund	Increased income	0.00	0.00	0.00	99,539.66	At any time
ALLTRI	Mixed fund	Increased income	182,370,792.13	242,239,896.94	59,869,104.81	540,618.75	At any time
EMA	Equity fund	Increased income	68,425,693.43	70,837,169.23	2,411,475.80	11,713.84	At any time
AKR	Fixed-income fund	Increased income	349,824,105.55	352,890,381.08	3,066,275.53	3,049,850.68	At any time
AAF	Equity fund	Increased income	128,131,700.67	195,755,300.87	67,623,600.20	0.00	At any time
SIVE Fonds							
INKA	Equity fund	Increased income	143,732,925.76	190,488,470.36	46,755,544.60	0.00	At any time
			1,507,173,033.48	1,700,697,383.29	193,524,349.81	6,550,737.92	

The investment objectives of the funds – which can be traded ahead of a stock market trading day – are based on the relevant benchmarks derived from the strategic investment structure. The Group made use of the option to select the discretionary principle of lower of cost or market value in accordance with section 341b (2) second half-sentence HGB for those institutional funds that are intended to be used permanently as part of the working capital of the Group. This gave rise to an undisclosed liability of €290,394.06 (December 31, 2020: €0.00). Write-downs of €8,297,631.03 were recognized on the entire portfolio of equities and investment fund shares/units (2020: €9,263,013.64). Reversals of write-downs pursuant to section 253 (5) HGB were recognized on the entire portfolio in an amount of €10,555,891.78 in 2021 (2020: €12,697,238.79).

34 Deferred taxes disclosures

The recognized deferred taxes arise from the differences between the HGB financial statements and the tax base. They relate to the following items:

Balance sheet items

(€'000)	Deferred taxes as of Dec. 31, 2021	Deferred taxes as of Dec. 31, 2020
Intangible assets	640	640
Investments	- 896	437
Receivables	- 122	2,483
Miscellaneous assets	50	83
Prepaid expenses and accrued income	0	0
Technical provisions	- 1,994	- 7,160
Other provisions	1,760	2,367
Other liabilities	0	- 2
Deferred income and accrued expenses	0	0
Loss carryforwards	0	0
	- 562	- 1,153

A net deferred tax asset pursuant to section 274 (1) sentence 2 HGB was not reported at single-entity financial statements level because its recoverability cannot be proved. Only net deferred tax liabilities that were reported in single-entity financial statements have been included in the consolidated financial statements. Net deferred taxes that arose as a consolidation effect at Group level in accordance with section 306 HGB were valued on the basis of the Group's financial performance and not written down. They were calculated using the tax rate of the home country of the entity in which the reversal effect will apply in the future. These tax rates range from 25.0 percent (Spain) to 31.25 percent (Germany, Düsseldorf). At Group level, net deferred tax assets were also included in the carrying amounts of the consolidated financial statements. However, these have been offset in the consolidated financial statements against the net deferred tax liabilities from the single-entity financial statements. Deferred tax assets are not recognized on losses carried forward.

35 Net extraordinary income/expense

There were no transactions in 2021 or 2020 that would have had to be recognized in net extraordinary income/expense.

36 Income taxes

The amount of income taxes in the income statement is calculated as follows:

Income taxes

		2021		2020	
	(%)	(€)	(%)	(€)	
Profit before tax (HGB financial statements)		86,727,511.39		83,245,253.46	
Expected income tax expense based on tax rate	26.47	22,956,772.26	31.23	25,997,492.66	
Current taxes		48,663,305.20		39,882,707.12	
Deferred taxes		-591,622.53		1,779,756.68	
Reported income tax expense		48,071,682.67		41,662,463.80	
Effective tax rate	55.43		50.05		
Miscellaneous taxes		803,367.38		3,407,860.18	
Tax expense reported in the income statement		48,875,050.05		45,070,323.98	

The difference between the expected and effective tax expense was attributable to a range of factors. Firstly, the Group operates in a number of countries. Each entity is taxable in its home country based on the taxable income determined according to local regulations. Depending on the loss carryback rules in each country, entities that incur losses may only receive a reduced tax credit or no tax credit at all. However, the income components of all the entities and permanent establishments included in the consolidation are aggregated within the Group's profit before tax, regardless of the actual applicable jurisdiction. This tends to lead to a higher tax rate. Furthermore, tax law in virtually all the countries in which the ARAG Group operates provides for add-ons and deductions that are separate from the financial statements, but that are applied to the profit reported in the tax base in order to determine the actual basis for the assessment of tax. In this process, the tax assessment may disregard (expense and/or income) elements of the consolidated profit before tax. The consolidated tax expense is also affected by the change in the balance of deferred taxes caused by differences between the valuation of assets and liabilities in the HGB financial statements and that in the tax base. Lastly, the consolidated tax expense also includes tax refunds and retrospective tax payments for previous years that are unrelated to profit before tax for the reporting period. These items amounted to €486,853.31 (expense balance) in 2021 and €4,405,476.37 (income balance) in 2020.

In the reporting year, an expense amounting to €1,354.9 thousand (2020: expense of €155.7 thousand) arose from consolidation effects, specifically from the decrease in net deferred tax assets at Group level.

The net deferred tax liability arises as a result of variations in the valuations for tax purposes of intangible assets, investments, receivables from policyholders, the provision for outstanding claims, the technical provisions, the provision for pensions and other post-employment benefits, and miscellaneous provisions. The main deferred tax liabilities arise from variations in the recognition for tax purposes of the provision for unearned premiums and from equalization provisions in Austria and the Netherlands that are recognized only for tax purposes. Deferred taxes are recognized in the single-entity financial statements only if there is not a net asset balance. The income statement therefore does not include the full change in deferred taxes.

Miscellaneous financial commitments pursuant to section 285 no. 3 HGB

Rental and leasing agreements with varying terms for premises, vehicles, and office equipment as well as for the hardware and software used in a data center that have been entered into outside the insurance business give rise to total annual obligations that are of a standard magnitude for the industry. The following unpaid contributions in respect of equity investments and private-equity fund structures are attributable to the Group:

Unpaid contributions and obligations to pay in capital

Name of company/type of obligation to pay in capital	(€)
Private-equity and infrastructure funds	241,482,270.39
FOYER-ARAG S. A., Luxembourg	24,788.00

The unpaid contributions have not been called up. They are not expected to be called up in the short term. It would be reasonable to expect obligations to pay in capital to be called up by the investment funds (infrastructure and private-equity funds) over a period ranging from a few weeks to three years.

Contingent liabilities

The Group is a member of the protection fund for providers of substitutive private health insurance. This protection fund can collect special contributions up to a maximum of 0.2 percent of the total net technical provisions for health insurance, which amounted to €5,137,977.43 as of the reporting date (December 31, 2020: €4,832,299.73).

Auditor's fees

The auditor of the consolidated financial statements is KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne. The Group companies incurred expenses for auditor's fees of €1,354,500.00 for the audit of annual financial statements and Solvency II balance sheets and €8,551.58 for tax consultancy services. No other consulting or advisory services were provided in the reporting year and no related fee expenses were therefore incurred. In 2021, an amount of €51,102.73 was reversed from the provision for audit services recognized in 2020 because the actual invoice amounts were lower than the expense that had been estimated in the previous year. The amounts above include the standard levels of out-of-pocket expenses and the VAT on the auditor's fees and out-of-pocket expenses because the ARAG Group is not entitled to offset input VAT.

37 Expenses for bonuses and rebates net of reinsurance

(€)	2021	2020
Expenses for performance-based bonuses and rebates	38,669,983.87	40,095,106.40
Expenses for non-performance-based bonuses and rebates	13,809.86	0.00
Total expenses	38,683,793.73	40,095,106.40

Commissions and other remuneration for insurance agents, staff costs

(€)	2021	2020
1. Commissions of all types for insurance agents within the meaning of section 92 HGB for direct insurance business	320,714,530.39	295,882,610.10
2. Other remuneration for insurance agents within the meaning of section 92 HGB	18,546,645.53	18,653,936.05
3. Wages and salaries	295,739,611.99	276,887,839.76
4. Social security and other employee benefit expenses	48,723,062.49	46,539,871.82
5. Pension and other post-employment benefit expenses	40,148,476.29	34,395,729.98
6. Total expenses	723,872,326.69	672,359,987.71

Average number of employees in 2021

The Group's fully consolidated entities employed an average of 4,514 people in 2021 (2020: 4,306). As of December 31, 2021, the Group had a total of 4,678 employees (December 31, 2020: 4,449).

The insurance companies employed an average of 3,948 people (2020: 3,804). The average number of people employed by all of the administrative entities and service companies was 662 (2020: 593). In the German Group companies, an additional 31 people were employed for the purpose of vocational training (2020: 30). At the end of 2021, the ARAG Group had a total of 2,202 (December 31, 2020: 2,087) employees in Germany. A further 2,476 (December 31, 2020: 2,362) people were employed outside Germany, equating to 52.9 percent (December 31, 2020: 53.1 percent) of the total workforce.

Remuneration of the Supervisory Board and Management Board of ARAG Holding SE

The expense for Supervisory Board remuneration in all Group companies came to €275,000.00.

The remuneration for the members of the Management Board of the parent company in return for the responsibilities undertaken in the parent company and in the subsidiaries, including remuneration not actually paid but recognized as a provision, amounted to €1,382,721.49. There are no current pensions or vested pension entitlements for former members of the Management Board and their surviving dependants.

V. Governing Bodies of the Company

Supervisory Board	Gerd Peskes	Wirtschaftsprüfer (German Public Auditor), Essen, Chairman
	Dr. Tobias Bürgers	Attorney, Munich, Deputy Chairman
	Professor Emeritus Dr. Brigitte Grass	University professor, Cologne
Management Board	Dr. Dr. h. c. Paul-Otto Faßbender	Chief Executive Officer, Düsseldorf
	Klaus Heiermann	Cologne
	Dr. Sven Wolf	Krefeld

VI. Report on Post-Balance Sheet Events

There were no events of particular significance after December 31, 2021. The pandemic that broke out in 2020 is still not at an end. For the current year, it presents further risks but also opportunities for the business.

The dramatic escalation of the conflict with Russia and the Russian Federation's invasion of Ukrainian territory have sent shock waves through the existing world order. ARAG does not operate its own insurance business in eastern Europe, Ukraine, or the Russian Federation. At the present time, it is difficult to assess the impact of the macroeconomic changes in Europe and worldwide that have been triggered by this war.

With the exception of investments, business performance so far has been in line with expectations.

Düsseldorf, April 27, 2022

ARAG Holding SE

The Management Board

Dr. Dr. h. c. Paul-Otto Faßbender

Klaus Heiermann

Dr. Sven Wolf

Consolidated Cash Flow Statement for 2021

Cash flow statement

(€)	2021	2020
Cash flows from operating activities		
Profit for the period	37,852,461	38,174,929
Increase(+)/decrease(-) in technical provisions, net	288,403,104	210,541,326
Increase(-)/decrease(+) in deposits with ceding insurers and in receivables from reinsurance business	-19,687,973	-6,006,372
Increase(+)/decrease(-) in deposits from reinsurers and liabilities from reinsurance business	-2,330,394	-361,800
Increase(-)/decrease(+) in receivables from direct insurance business	-4,238,361	7,837,266
Increase(+)/decrease(-) in liabilities from direct insurance business	7,918,090	7,646,247
Increase(-)/decrease(+) in miscellaneous receivables	-287,373	-4,280,214
Increase(+)/decrease(-) in miscellaneous liabilities	2,574,755	-1,925,103
Change in miscellaneous balance sheet items not related to investing or financing activities	-348,925,280	-240,150,117
Other non-cash income and expenses, and adjustment of the profit/loss for the period	19,057,308	39,443,935
Gain(-)/loss (+) on the disposal of investments, property and equipment, and intangible fixed assets	-5,115,663	-2,257,933
Expenses for/income from extraordinary items	0	0
Current income tax expense/income	48,663,305	39,882,707
Cash receipts from extraordinary items	0	0
Cash payments for extraordinary items	0	0
Income taxes paid	-39,549,231	-46,509,320
Cash flows from operating activities	-15,665,252	42,035,551
Cash flows from investing activities		
Proceeds from disposal of consolidated entities	0	0
Proceeds from disposal of property and equipment	1,113,031	51,604
Proceeds from disposal of intangible fixed assets	-42,160	0
Payments to acquire property and equipment	-4,222,466	-4,150,858
Payments to acquire intangible fixed assets	-4,232,785	-5,223,728
Proceeds from disposal of investments related to fund-linked life insurance	0	0
Payments to acquire investments related to fund-linked life insurance	0	0
Cash receipts from extraordinary items	0	0
Cash payments for extraordinary items	0	0
Cash flows from investing activities	-7,384,380	-9,322,982
Cash flows from financing activities		
Proceeds from capital contributions by shareholders	0	0
Cash payments to shareholders from the redemption of shares	0	0
Cash receipts from extraordinary items	0	0
Cash payments for extraordinary items	0	0
Dividends paid	-10,000,000	-10,000,000
Proceeds(+)/cash payments(-) related to miscellaneous financing activities	0	0
Cash flows from financing activities	-10,000,000	-10,000,000
Net change in cash and cash equivalents	-33,049,632	22,712,568
Effect on cash and cash equivalents of exchange rate movements and remeasurements	0	0
Effect on cash and cash equivalents of changes in the basis of consolidation	0	0
Cash and cash equivalents at beginning of period	221,855,188	199,142,619
Cash and cash equivalents at end of period	188,805,555	221,855,188

38 Statement of Changes in Group Equity in Accordance with GAS 22 for the Year Ended December 31, 2021

	Equity attributable to parent entity									
	(Adjusted) subscribed capital				Capital reserves			Reserves		
	Sub- scribed capital	Treasury shares	Uncalled unpaid contri- butions	Total				Revenue reserves		
	Ordinary shares				Pursuant to sec. 272 (2) nos. 1-3 HGB	Pursuant to sec. 272 (2) no. 4 HGB	Total	Statutory reserves	Reserves provided for by the articles of incor- poration	Other revenue reserves
Balance as of Jan. 1, 2021	200,000			200,000				15,079		316,827
Transfers to/ withdrawals from reserves								926		26,464
Distribution										
Currency translation										
Miscellaneous changes										
Changes in the basis of consolidation										
Consolidated net income										
Balance as of Dec. 31, 2021	200,000			200,000				16,005		343,291

		Equity attributable to parent entity				Non-controlling interests			Consolidated equity	
	Reserves	Currency translation difference	Retained profits brought forward	Consolidated net income attributable to the parent entity	Total	Non-controlling interests before currency translation differences	Currency translation differences attributable to non-controlling interests	Profit or loss attributable to non-controlling interests	Total	Total
Revenue reserves	Total									
	Total									
331,905	331,905	-4,769		37,391	564,527	8,876	28	784	9,688	574,215
27,391	27,391			-27,391	-10,000	365		-365	-419	-10,419
		12,463			12,463					12,463
						-142			-142	-142
				37,080	37,080			773	773	37,852
359,296	359,296	7,693		37,080	604,069	9,100	28	773	9,900	613,969

Segment Reporting – Balance Sheet

(€'000)	Legal insurance		Casualty and property insurance	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
A. Intangible assets	9,161	11,019	0	0
B. Investments	2,588,243	2,392,172	475,816	470,080
I. Land and buildings, including buildings on third-party land	60,760	55,830	24,157	31,029
II. Investments in affiliated companies and equity investments	472,172	440,110	45,710	42,964
III. Miscellaneous investments	1,989,735	1,834,617	402,963	393,194
IV. Deposits with ceding insurers	65,576	61,616	2,985	2,893
C. Miscellaneous segment assets	297,585	306,915	30,727	19,093
Total segment assets	2,894,989	2,710,106	506,543	489,173
A. Technical provisions	1,667,717	1,544,561	348,264	335,856
I. Unearned premiums	217,133	201,153	44,988	43,671
II. Actuarial reserve	0	0	16	18
III. Provision for outstanding claims	1,387,650	1,292,256	274,323	252,493
IV. Provision for bonuses and rebates	0	0	0	0
V. Equalization provision	62,213	50,841	66,990	70,881
VI. Miscellaneous technical provisions	949	970	1,906	1,973
VII. Reinsurers' share of technical provisions	-228	-659	-39,958	-33,181
B. Miscellaneous segment liabilities	436,644	419,634	56,792	53,945
Total segment liabilities	2,104,361	1,964,195	405,056	389,801
Equity¹⁾				
Total equity and liabilities				

¹⁾ Consolidated equity including non-controlling interests and goodwill arising on consolidation.

The segment reporting reflects internal reporting and its presentation has been adapted in line with GAS 28 published by the German Accounting Standards Board (GASB). There is no structural break that required the prior-year figures to be restated. The segmentation of the ARAG Group follows the internal organizational and management structure, which is based on strategic business lines. The segments chosen reflect the Group's risks and opportunities.

The strategic business lines are:

- Legal insurance
- Casualty and property insurance
- Health insurance
- Services and asset management

The service companies and asset management companies comprise the Group parent company, other intermediate holding companies that manage assets, and a number of other entities, including real-estate management companies, IT companies, and service companies that support the insurance business. These also include the intermediaries that broker insurance business to non-Group insurance companies. ARAG Group then provides reinsurance for this business.

Health insurance		Services and asset management		Total		Consolidation		Group total	
Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
30	54	1,046	1,375	10,237	12,448	6,406	10,449	16,642	22,897
2,740,820	2,530,036	515,826	498,428	6,320,705	5,890,716	-1,018,895	-965,156	5,301,810	4,925,561
75,534	67,517	29,590	30,720	190,042	185,097	-2,969	-2,978	187,072	182,119
88,191	63,722	432,543	434,056	1,038,617	980,851	-1,015,925	-962,178	22,692	18,673
2,577,094	2,398,797	53,693	33,652	5,023,485	4,660,260	0	0	5,023,485	4,660,260
0	0	0	0	68,561	64,508	0	0	68,561	64,508
54,316	80,930	81,711	72,278	464,339	479,216	0	0	464,339	479,216
2,795,166	2,611,020	598,583	572,081	6,795,281	6,382,381	-1,012,489	-954,707	5,782,792	5,427,674
2,568,989	2,416,150	0	0	4,584,970	4,296,567	0	0	4,584,970	4,296,567
16,676	15,841	0	0	278,797	260,665	0	0	278,797	260,665
2,205,050	2,082,231	0	0	2,205,067	2,082,249	0	0	2,205,067	2,082,249
79,478	68,194	0	0	1,741,450	1,612,943	0	0	1,741,450	1,612,943
264,720	248,770	0	0	264,720	248,770	0	0	264,720	248,770
0	0	0	0	129,203	121,723	0	0	129,203	121,723
3,065	1,113	0	0	5,920	4,056	0	0	5,920	4,056
0	0	0	0	-40,186	-33,839	0	0	-40,186	-33,839
53,616	50,006	41,138	39,000	588,190	562,584	-4,337	-5,692	583,852	556,892
2,622,605	2,466,155	41,138	39,000	5,173,160	4,859,151	-4,337	-5,692	5,168,823	4,853,459
								613,969	574,215
								5,782,792	5,427,674

The balance sheet data continues to be provided here for reasons of consistency, even though it is not directly covered by internal management.

It is not necessary to reconcile internal management data with the carrying amounts and values in the consolidated financial statements because the Group is managed on the basis of the HGB figures. The segment data is presented after consolidation of internal transactions within each business line. Reconciliation with the figure for the Group is based on the amounts stated in the 'Consolidation' column. Gains and losses on investments from sources within the Group (e.g. income from equity investments) are retained in the segments and then eliminated later in the 'Consolidation' column.

Because deferred taxes are recognized in accordance with the temporary concept, the segment breakdown of the income statement only goes as far as the 'Profit/loss before tax' line.

Segment Reporting – Income Statement by Class of Insurance

	Legal insurance		Casualty and property insurance	
	2021	2020	2021	2020
Underwriting income				
Gross premiums written	1,258,480	1,155,067	274,526	263,432
Direct insurance business	975,441	910,317	260,651	249,668
Inward reinsurance business	283,039	244,750	13,874	13,763
Reinsurance premiums ceded	-814	-712	-11,254	-9,920
Change in net unearned premiums	-16,270	460	-1,308	-233
Premiums earned net of reinsurance	1,241,396	1,154,816	261,963	253,279
Premiums from the gross provision for bonuses and rebates	0	0	0	0
Investment income allocated to the underwriting account	0	0	128	349
Miscellaneous underwriting income net of reinsurance	1,495	1,159	436	267
Total underwriting income	1,242,891	1,155,975	262,527	253,895
Underwriting expenses				
Claims incurred net of reinsurance	-616,841	-566,593	-136,005	-129,686
Change in sundry net technical provisions	21	1,587	69	106
Expenses for bonuses and rebates	0	0	0	0
of which performance-based	0	0	0	0
of which non-performance-based	0	0	0	0
Insurance business operating expenses	-533,088	-489,726	-114,233	-107,847
of which front-end fees	-124,316	-108,900	-39,171	-34,743
of which administrative expenses	-408,772	-380,826	-75,973	-74,193
of which reinsurers' share	0	0	911	1,088
Investment expenses allocated to the underwriting account	0	0	0	0
Miscellaneous underwriting expenses net of reinsurance	0	0	-1,864	-1,853
Total underwriting expenses	-1,149,908	-1,054,732	-252,032	-239,280
Subtotal	92,983	101,243	10,495	14,615
Change in the equalization provision and similar provisions	-11,371	-31,959	3,891	-643
Underwriting result net of reinsurance	81,612	69,284	14,386	13,972
Income from investments	100,607	128,417	8,711	8,556
Expenses for investments	-28,595	-23,926	-5,194	-5,670
Gains and losses on investments	72,011	104,491	3,518	2,886
Gains and losses on investments assigned to the underwriting account	0	0	0	0
Market fees for goods and services provided by non-insurance companies	0	0	0	0
Cost of goods and services provided by non-insurance companies to generate market fees	0	0	0	0
Gross profit	0	0	0	0
Other income	25,290	24,735	3,377	3,845
Other expenses	-69,760	-67,950	-7,295	-6,610
Other net income/expense	-44,470	-43,215	-3,918	-2,765
Profit/loss from ordinary activities	109,153	130,561	13,986	14,093
Net extraordinary income/expense	0	0	0	0
Profit/loss before tax	109,153	130,561	13,986	14,093
Tax expense				
Net income for the year				
of which non-controlling interests				

Health insurance		Services and asset management		Total		Consolidation		Group total	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
484,429	430,180	0	0	2,017,435	1,848,679	0	0	2,017,435	1,848,679
484,429	430,180	0	0	1,720,522	1,590,165	0	0	1,720,522	1,590,165
0	0	0	0	296,913	258,514	0	0	296,913	258,514
-275	-401	0	0	-12,344	-11,032	0	0	-12,344	-11,032
-835	95	0	0	-18,413	322	0	0	-18,413	322
483,319	429,874	0	0	1,986,677	1,837,968	0	0	1,986,677	1,837,968
5,459	37,077	0	0	5,459	37,077	0	0	5,459	37,077
66,316	69,625	0	0	66,444	69,974	0	0	66,444	69,974
19,382	8,262	0	0	21,313	9,688	0	0	21,313	9,688
574,475	544,838	0	0	2,079,893	1,954,707	0	0	2,079,893	1,954,707
-274,163	-239,351	0	0	-1,027,008	-935,629	0	0	-1,027,008	-935,629
-123,214	-136,095	0	0	-123,124	-134,402	0	0	-123,124	-134,402
-38,684	-40,095	0	0	-38,684	-40,095	0	0	-38,684	-40,095
-38,670	-40,095	0	0	-38,670	-40,095	0	0	-38,670	-40,095
-14	0	0	0	-14	0	0	0	-14	0
-97,375	-76,373	0	0	-744,696	-673,946	0	0	-744,696	-673,946
-85,968	-66,360	0	0	-249,454	-210,002	0	0	-249,454	-210,002
-11,523	-10,152	0	0	-496,268	-465,172	0	0	-496,268	-465,172
116	140	0	0	1,027	1,229	0	0	1,027	1,229
-14,988	-21,568	0	0	-14,988	-21,568	0	0	-14,988	-21,568
-3,840	-2,593	0	0	-5,703	-4,446	0	0	-5,703	-4,446
-552,263	-516,074	0	0	-1,954,203	-1,810,086	0	0	-1,954,203	-1,810,086
22,212	28,764	0	0	125,690	144,622	0	0	125,690	144,622
0	0	0	0	-7,480	-32,601	0	0	-7,480	-32,601
22,212	28,764	0	0	118,210	112,020	0	0	118,210	112,020
66,316	69,625	50,547	51,406	226,181	258,004	-94,791	-127,157	131,390	130,847
-14,988	-21,568	-3,211	-6,588	-51,988	-57,752	909	5,381	-51,079	-52,370
51,328	48,057	47,336	44,819	174,193	200,253	-93,882	-121,776	80,311	78,477
-51,328	-48,057	0	0	-51,328	-48,057	0	0	-51,328	-48,057
0	0	72,415	67,863	72,415	67,863	-47,278	-44,831	25,137	23,032
0	0	-71,560	-67,910	-71,560	-67,910	47,278	44,831	-24,282	-23,079
0	0	855	-47	855	-47	0	0	855	-47
1,274	2,496	1,947	774	31,888	31,851	-2,093	-2,462	29,795	29,389
-6,810	-6,373	-4,528	-5,251	-88,392	-86,185	-2,723	-2,352	-91,115	-88,537
-5,536	-3,877	-2,581	-4,477	-56,504	-54,334	-4,816	-4,814	-61,320	-59,148
16,677	24,887	45,610	40,295	185,426	209,835	-98,698	-126,590	86,728	83,245
0	0	0	0	0	0	0	0	0	0
16,677	24,887	45,610	40,295	185,426	209,835	-98,698	-126,590	86,728	83,245
								-48,875	-45,070
								37,852	38,175
								-773	-784

Segment Reporting – Income Statement by German and International Business

(€'000)

Underwriting income

Gross premiums written

Direct insurance business

Inward reinsurance business

Reinsurance premiums ceded

Change in net unearned premiums

Premiums earned net of reinsurance

Premiums from the gross provision for bonuses and rebates

Investment income allocated to the underwriting account

Miscellaneous underwriting income net of reinsurance

Total underwriting income

Underwriting expenses

Claims incurred net of reinsurance

Change in sundry net technical provisions

Expenses for bonuses and rebates

of which performance-based

of which non-performance-based

Insurance business operating expenses

of which front-end fees

of which administrative expenses

of which reinsurers' share

Investment expenses allocated to the underwriting account

Miscellaneous underwriting expenses net of reinsurance

Total underwriting expenses

Subtotal

Change in the equalization provision and similar provisions

Underwriting result net of reinsurance

Income from investments

Expenses for investments

Gains and losses on investments

Gains and losses on investments assigned to the underwriting account

Market fees for goods and services provided by non-insurance companies

Cost of goods and services provided by non-insurance companies to generate market fees

Gross profit

Other income

Other expenses

Other net income/expense

Profit/loss from ordinary activities

Net extraordinary income/expense

Profit/loss before tax

Tax expense

Net income for the year

of which non-controlling interests

German		International		Total		Consolidation		Group total	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
1,193,807	1,089,513	823,628	759,166	2,017,435	1,848,679	0	0	2,017,435	1,848,679
1,148,659	1,063,170	571,863	526,996	1,720,522	1,590,165	0	0	1,720,522	1,590,165
45,148	26,343	251,765	232,170	296,913	258,514	0	0	296,913	258,514
-11,636	-10,456	-708	-576	-12,344	-11,032	0	0	-12,344	-11,032
-7,190	-4,580	-11,223	4,902	-18,413	322	0	0	-18,413	322
1,174,980	1,074,476	811,697	763,492	1,986,677	1,837,968	0	0	1,986,677	1,837,968
5,459	37,077	0	0	5,459	37,077			5,459	37,077
66,444	69,974	0	0	66,444	69,974	0	0	66,444	69,974
20,877	9,214	435	474	21,313	9,688	0	0	21,313	9,688
1,267,761	1,190,742	812,132	763,966	2,079,893	1,954,707	0	0	2,079,893	1,954,707
-708,501	-640,121	-318,508	-295,508	-1,027,008	-935,629	0	0	-1,027,008	-935,629
-123,167	-134,397	43	-5	-123,124	-134,402	0	0	-123,124	-134,402
-38,684	-40,095	0	0	-38,684	-40,095	0	0	-38,684	-40,095
-38,670	-40,095	0	0	-38,670	-40,095	0	0	-38,670	-40,095
-14	0	0	0	-14	0	0	0	-14	0
-370,816	-326,969	-373,880	-346,977	-744,696	-673,946	0	0	-744,696	-673,946
-181,525	-150,787	-67,930	-59,216	-249,454	-210,002	0	0	-249,454	-210,002
-190,318	-177,411	-305,950	-287,761	-496,268	-465,172	0	0	-496,268	-465,172
1,027	1,229	0	0	1,027	1,229	0	0	1,027	1,229
-14,988	-21,568	0	0	-14,988	-21,568	0	0	-14,988	-21,568
-5,703	-4,446	0	0	-5,703	-4,446	0	0	-5,703	-4,446
-1,261,858	-1,167,596	-692,345	-642,490	-1,954,203	-1,810,086	0	0	-1,954,203	-1,810,086
5,902	23,146	119,788	121,476	125,690	144,622	0	0	125,690	144,622
2,095	-4,864	-9,575	-27,738	-7,480	-32,601	0	0	-7,480	-32,601
7,997	18,282	110,213	93,739	118,210	112,020	0	0	118,210	112,020
204,430	235,559	21,751	22,445	226,181	258,004	-94,791	-127,157	131,390	130,847
-41,043	-53,159	-10,945	-4,592	-51,988	-57,752	909	5,381	-51,079	-52,370
163,387	182,400	10,806	17,853	174,193	200,253	-93,882	-121,776	80,311	78,477
-51,328	-48,057	0	0	-51,328	-48,057	0	0	-51,328	-48,057
72,415	67,863	0	0	72,415	67,863	-47,278	-44,831	25,137	23,032
-71,560	-67,910	0	0	-71,560	-67,910	47,278	44,831	-24,282	-23,079
855	-47	0	0	855	-47	0	0	855	-47
24,439	27,916	7,449	3,935	31,888	31,851	-2,093	-2,462	29,795	29,389
-78,446	-77,968	-9,946	-8,217	-88,392	-86,185	-2,723	-2,352	-91,115	-88,537
-54,007	-50,052	-2,497	-4,282	-56,504	-54,334	-4,816	-4,814	-61,320	-59,148
66,905	102,526	118,521	107,309	185,426	209,835	-98,698	-126,590	86,728	83,245
0	0	0	0	0	0	0	0	0	0
66,905	102,526	118,521	107,309	185,426	209,835	-98,698	-126,590	86,728	83,245
								-48,875	-45,070
								37,852	38,175
								-773	-784

Independent Auditor's Report¹⁾

To ARAG Holding SE, Düsseldorf

Opinions

We have audited the consolidated financial statements of ARAG Holding SE, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2021, the consolidated income statement, the statement of changes in group equity, the consolidated cash flow statement, and the Group's segment reporting for the financial year from January 1, 2021 to December 31, 2021, and the notes to the consolidated financial statements, including a summary of the accounting policies. In addition, we have audited the group management report of ARAG Holding SE for the financial year from January 1, 2021 to December 31, 2021.

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

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

- The accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and, in compliance with German accepted accounting principles, give a true and fair view of the net assets and financial position of the Group as of December 31, 2021 and of its results of operations for the financial year from January 1, 2021 to December 31, 2021, and
- The accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report specified in the 'Other information' section.

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

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and group management report in accordance with section 317 HGB and in compliance with the German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility under these requirements and principles is described in more detail in the 'Responsibility of the auditor for the audit of the consolidated financial statements and group management report' section of our auditor's report. We are independent of the Group entities pursuant to the requirements of German commercial law and the rules governing our profession and we have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and group management report.

Other information

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

- The separate non-financial group report, which is referenced in the group management report and is likely to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

The Management Board is responsible for preparing consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that, in compliance with German accepted accounting principles, give a true and fair view of the net assets, financial position, and results of operations of the Group. In addition, the Management Board is responsible for the internal controls that it, in compliance with German accepted accounting principles, considers necessary for the preparation of consolidated financial statements that are free of material misstatements, whether due to fraud or error.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatements, whether due to fraud or error, in the consolidated financial statements and group management report, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of the internal control system that is relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of the accounting policies used by the Management Board and the reasonableness of the estimates made by the Management Board and related disclosures.
- Draw conclusions about the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and group management report or, if such disclosures are not appropriate, to qualify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the Group to no longer be able to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that they, in compliance with German accepted accounting principles, give a true and fair view of the net assets, financial position, and results of operations of the Group.
- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and group management report. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- Assess the consistency of the group management report with the consolidated financial statements, its conformity with the law, and the view that it provides of the Group's position.
- Conduct audit procedures in respect of forward-looking statements made by the Management Board in the group management report. On the basis of sufficient appropriate audit evidence, we examine, in particular, the significant assumptions underlying the Management Board's forward-looking statements and assess whether these statements have been correctly derived from these assumptions. We do not express a specific opinion on the forward-looking statements or on the underlying assumptions. There is a substantial unavoidable risk of material discrepancies between future events and the forward-looking statements.

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

Cologne, April 27, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klitsch
Wirtschaftsprüfer
(German Public Auditor)

Bramkamp
Wirtschaftsprüfer
(German Public Auditor)

Report of the Supervisory Board

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

The Supervisory Board held five ordinary meetings last year, at which it was able to satisfy itself that the Management Board was running the Company properly and appropriately. Strict hygiene protocols, including mandatory testing, were adhered to at all meetings where the Supervisory Board met in person.

The Supervisory Board also received detailed information between meetings on plans and developments of particular importance or urgency to the Company. At the meetings, the Management Board agreed the Company's strategic direction with the Supervisory Board. Progress on implementing the strategy was regularly discussed in the meetings.

The main topics deliberated on during the Supervisory Board meetings included up-to-date reports on the consequences of the COVID-19 pandemic for the investee company ARAG SE and its subsidiaries, the business performance of the international branches and Group companies, monitoring to ensure adequate IT security, the sustainability of the business operations of the first-tier and second-tier subsidiaries, and the capital market environment. The Supervisory Board was also regularly informed of the content and scope of internal audits. The report on recent additions to the ARAG Group was a further focus of attention.

The Supervisory Board also regularly received explanations regarding risk reporting from the Management Board and discussed the risk strategy and the corporate strategy.

Finally, the Supervisory Board held its regular discussion on the appropriateness of the Management Board's remuneration. The planning for the professional development of the Management Board and the Supervisory Board was also covered at the meetings.

No special monitoring measures were required last year. The Supervisory Board believes that the Management Board manages the business lawfully, properly, and appropriately. In particular, the Management Board fulfills its duty of care regarding the Company's continued existence and long-term profitability.

The Supervisory Board reviewed the Company's single-entity financial statements, the consolidated financial statements, and the group management report. To do so, it exercised its powers pursuant to section 111 (2) of the German Stock Corporation Act (AktG) including, but not limited to, inspecting the books and papers of the Company. The review was conducted on the basis of the regular written and oral reports from the Management Board about the business situation and all major transactions and on the basis of the commercial-law accounting regulations.

The scope of the review of all financial statements also covered the accounting options exercised by the Management Board. The findings of the review were as follows:

The Management Board's financial reporting complies with the legal requirements and the provisions in the articles of incorporation. The management report is consistent with the financial statements. The accounting policy decisions that were made on a discretionary basis were exercised for the benefit of the Company and the Group and took shareholders' interests into account to an appropriate degree.

On behalf of the Supervisory Board, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, audited the Company's single-entity financial statements and the consolidated financial statements for the year ended December 31, 2021, including the bookkeeping system and the group management report, and issued an unqualified opinion. The auditor's report was presented to the Supervisory Board on time. Having studied the report and on the basis of its own final review, the Supervisory Board agrees with the auditor's opinion. It has no comments to make about the auditor's report.

There are no objections to be raised on the basis of the concluding findings of the review of the financial statements, group management report, and auditor's report.

The Supervisory Board also discussed the non-financial statement prepared by the Management Board for ARAG Holding SE and the Group for the period ended December 31, 2021. An auditing firm reviewed this statement to provide the Supervisory Board with limited assurance and issued an unqualified opinion. At the meetings, the Management Board explained the documents in detail; the representatives of the auditing firm reported on the main findings of their review and answered additional questions from the members of the Supervisory Board. The Supervisory Board did not express any reservations on completion of its own review.

Düsseldorf, April 29, 2022

ARAG Holding SE

The Supervisory Board

Gerd Peskes
(Chairman)

Dr. Tobias Bürgers
(Deputy Chairman)

Professor Emeritus Dr. Brigitte Grass

Further Information

ARAG provides you with a broad range of information in many publications and on the internet about the Group and its insurance products and services. And as legal insurance is a core competency of ARAG, it also offers selected tips and advice on legal matters. If you have any questions, require an insurance quote, or are simply looking for some basic information, please get in touch or visit our website.

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You can find the latest **information about the Group and our products** on our website:
www.ARAG.com

Figures in this annual report are rounded, which may give rise to differences of +/- one unit (currency, percent) in some computations.

Credits

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