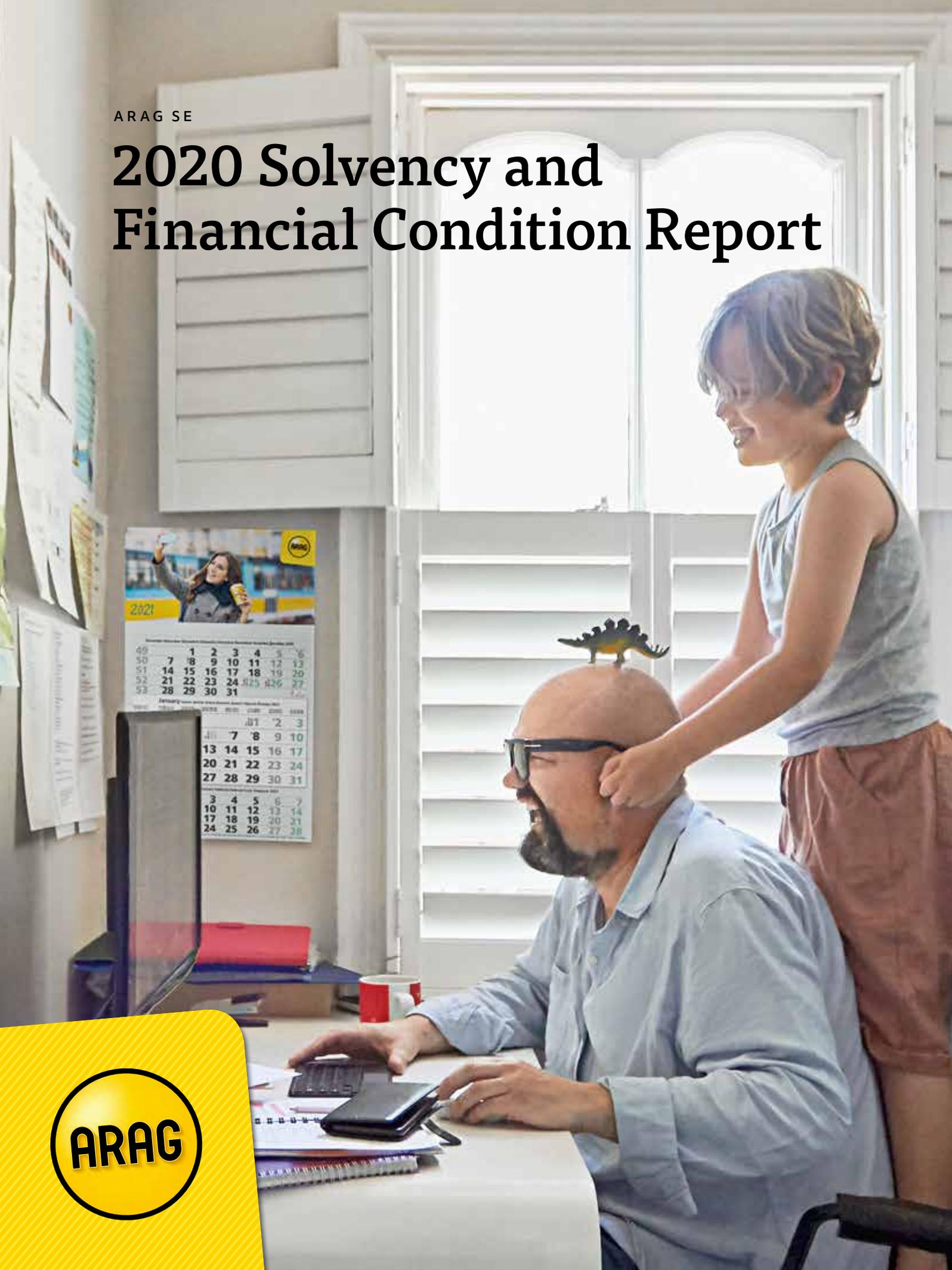


ARAG SE

2020 Solvency and Financial Condition Report



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

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)

Structure of ARAG SE

Company

ARAG SE

Members of the Management Board and areas of responsibility

Speaker of the Management Board and Central Group Functions

Dr. Renko Dirksen

Sales, Products and Innovation

Dr. Matthias Maslaton

Group Finance

Wolfgang Mathmann

Group IT and Operations

Hanno Petersen

Group Risk Management and Group Controlling

Dr. Joerg Schwarze

Group Human Resources/Audit

Dr. Werenfried Wendler

Gross premiums written:

€ **1,010** million

↗ 2019: €978 million

Net income for the year:

€ **64** million

↗ 2019: €52 million

Net combined ratio:

95.1%

↘ 2019: 95.6%

Eligible own funds:

€ **1,583** million

↗ 2019: €1,414 million

Solvency capital requirement:

€ **488** million

↗ 2019: €435 million

Solvency ratio:

324.3%

↘ 2019: 325.2%

Contents

Summary	6
.....	
A. Business and Performance	9
.....	
B. System of Governance	27
.....	
C. Risk Profile	53
.....	
D. Valuation for Solvency Purposes	63
.....	
E. Capital Management	101
.....	
Appendix	112
.....	
Further Information	135
.....	

Summary

Chapter A. Business and Performance

Chapter A.1 provides detailed information on the position of ARAG SE (also referred to as the Company) within the legal structure of the ARAG Group. It describes the principal divisions, presents qualitative and quantitative disclosures on relevant events and significant intragroup operations, and sets out material transactions during the year.

ARAG SE is the largest family-managed insurance company in Germany and is one of the world's three leading providers of legal insurance. It focuses on state-of-the-art product concepts aimed at both private and small business customers.

The underwriting performance (chapter A.2), investment performance (chapter A.3), and performance of other activities (chapter A.4) at ARAG SE in the year under review are summarized below.

In 2020, gross premiums written went up by 3.3 percent to €1,009,786 thousand at ARAG SE (2019: €977,678 thousand). The Company generated 58.7 percent of its total gross premium income outside Germany, making it one of the most internationalized German providers of legal insurance. The branches in the Netherlands, Spain, and Italy together earned a total of €456,059 thousand in premiums and, partly because of their steady growth, were among the leading providers of legal insurance in their respective markets. In ARAG SE's important home market of Germany, the uptrend in legal insurance business seen in previous years was further consolidated in the year under review. In 2020, gross premiums written in direct business increased by 5.6 percent, from €394,713 thousand to €416,824 thousand.

The underwriting result in accordance with the German Commercial Code (HGB) before the change in the equalization provision and similar provisions rose from €44,129 thousand to €52,066 thousand in the reporting year. This was primarily due to the sustained growth of the legal insurance portfolio right across the Company, both in Germany and internationally.

Gains and losses on investments improved by €22,015 thousand to a net gain of €100,966 thousand (2019: €78,951 thousand). This was mainly attributable to a reversal of a write-down of a subsidiary in an amount of €52,014 thousand because the reasons for the original write-down no longer applied. After taking into account the sundry income and expense items, ARAG SE again generated very sound net income for the year of €64,216 thousand (2019: €51,848 thousand) in spite of the prevailing general economic trend.

The impact of the COVID-19 pandemic on the Company's business performance is explained in chapter A.1.

Chapter B. System of Governance

Chapter B.1 contains information on the Management Board and Supervisory Board as well as on the tasks of the following four key functions: risk management, compliance, internal audit, and the actuarial function. As these key functions are kept strictly separate

from the operational departments and they have a direct reporting line to the Management Board member with relevant responsibility, they can perform their duties objectively and independently.

During the reporting year, there were changes to the composition of the Supervisory Board and Management Board and to the allocation of responsibilities within the Management Board.

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

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

Chapter B.3 describes the Company's risk management system and its implementation by the risk management function. The chapter also includes a description of the risk management process and the process for the Own Risk and Solvency Assessment.

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

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

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

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

Chapter C. Risk Profile

The two main risks influencing ARAG SE's risk profile are market risk and underwriting risk. The solvency capital requirement (SCR) for market risk is €465,585 thousand. The primary sub-risks in this regard are equity investment risk and credit risk (attaching to investments). Underwriting risk, for which the solvency capital requirement is €179,546 thousand, is mainly influenced by accumulation risk, premium risk, and reserve risk.

The COVID-19 pandemic has not resulted in any significant change to the risk profile of ARAG SE.

Chapter D. Valuation for Solvency Purposes

Solvency II lays down requirements for recognizing, valuing, and disclosing assets, technical provisions, and other liabilities. The Solvency II balance sheet presents the line items from an economic perspective, whereas the accounting rules under HGB include, among other stipulations, application of the strict or discretionary principle of lower of cost or market value. Consequently, line items in valuations for solvency purposes cannot be directly compared with equivalent balance sheet carrying amounts.

The individual line items and valuation bases are presented and described in chapter D. 'Valuation for Solvency Purposes'. In the reporting period, there were no changes in the valuation bases used for the Solvency II balance sheet in respect of assets (chapter D.1), technical provisions (chapter D.2), and other liabilities (chapter D.3).

Following a review of the application of International Financial Reporting Standard (IFRS) 16, ARAG elected not to recognize leasing arrangements in 2020. This led to a change to property, plant & equipment held for own use (D.1.6) and to other financial liabilities (D.3.8) compared with the prior year.

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

The COVID-19 pandemic did not have any significant impact on the Solvency II balance sheet.

Chapter E. Capital Management

Chapter E. starts with a reconciliation from equity in accordance with HGB to the excess of assets over liabilities pursuant to Solvency II and from equity in accordance with HGB to the own funds eligible to cover the regulatory solvency capital requirements.

ARAG SE's overall solvency capital requirement is €488,118 thousand. To cover this requirement, the Company has eligible own funds of €1,583,192 thousand, giving a coverage ratio of 324.3 percent. ARAG SE thus has a high level of capital adequacy, a clear sign of the Company's excellent financial strength. Rough calculations that have been performed regularly since March 2020 due to the COVID-19 pandemic have also consistently shown a comfortable level of coverage.

The Company's minimum capital requirement is €184,668 thousand, which means the coverage ratio for the minimum capital requirement is 857.3 percent.

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

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

A. Business and Performance

A.1 Business	10
A.2 Underwriting Performance	20
A.3 Investment Performance	23
A.4 Performance of Other Activities	25
A.5 Any Other Information	26

A.1 Business

A.1.1 General disclosures

Legal basis

ARAG SE was founded on July 15, 1935 in Düsseldorf, Germany. It is entered in the commercial register of the Düsseldorf local court under the number HRB 66846. ARAG SE has been entered in the commercial register as a European Company (Societas Europaea, SE) since December 1, 2011. This change in the legal form of the Company, which had previously been a stock corporation (Aktiengesellschaft, AG) called ARAG Allgemeine Rechtsschutz-Versicherungs-Aktiengesellschaft, Düsseldorf, was based on a resolution of the Annual General Meeting on October 19, 2011 in accordance with the transformation plan dated February 8, 2011. The Company's contact details are:

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 Tel: +49 (0)211 98 700 700
 Fax: +49 (0)211 963 2850
 Email: service@ARAG.de
 Website: www.ARAG.com

Address of the German Federal Financial Supervisory Authority (BaFin):

Bundesanstalt für Finanzdienstleistungsaufsicht
 Graurheindorfer Strasse 108
 53117 Bonn, Germany
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 53002 Bonn, Germany

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 Email: poststelle@bafin.de or
 De-Mail: poststelle@bafin.de-mail.de

Independent auditor

The contact details of the appointed auditor are:

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 KPMG Cologne branch
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 50674 Cologne, Germany
 Tel: +49 (0)221 2073 00
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 Website: www.kpmg.de

A.1.2 Structure of ARAG SE and holders of qualifying holdings

Indirectly, ARAG SE, Düsseldorf, is wholly owned by ARAG Holding SE, Düsseldorf, which directly holds a 50.0 percent equity investment. The second shareholder is AFI Verwaltungs-Gesellschaft mbH, Düsseldorf, which holds a 50.0 percent equity investment in ARAG SE. ARAG SE is therefore a dependent company of ARAG Holding SE within the meaning of section 17 (1) of the German Stock Corporation Act (AktG).

ARAG SE is responsible for the operational management of the insurance business of the ARAG Group, whose parent company is ARAG Holding SE. The shareholders of ARAG Holding SE are FABI GmbH, Düsseldorf, which holds 45.5 percent, and Dr. Dr. h. c. Paul-Otto Faßbender, Düsseldorf, who holds the remaining 54.5 percent.

The consolidated financial statements and ARAG SE's financial statements are published in the electronic Federal Gazette and in the company register of the German Federal Ministry of Justice and Consumer Protection.

ARAG Holding SE limits itself to exercising its rights and fulfilling its obligations as a shareholder in the investee companies. The ARAG Group comprises 46 Group companies, including seven insurance companies headquartered in Germany, Norway, Switzerland, and the US.

List of the main affiliated companies

Name and location of registered office	Legal form	Country	Direct share	Group's share
1 ARAG Holding SE, Düsseldorf	SE (European company)	Germany	0.00 %	Group parent company
2 AFI Verwaltungs-Gesellschaft mbH, Düsseldorf	GmbH (private limited company)	Germany	0.00 %	100.00 %
3 ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf	GbR (partnership under the German Civil Code)	Germany	50.90 %	94.90 %
4 ARAG Allgemeine Versicherungs-AG, Düsseldorf	AG (stock corporation)	Germany	100.00 %	100.00 %
5 ARAG Insurance Company Inc., Des Moines	Corporation	USA	0.00 %	100.00 %
6 ARAG International Holding GmbH, Düsseldorf	GmbH	Germany	100.00 %	100.00 %
7 ARAG IT GmbH, Düsseldorf	GmbH	Germany	100.00 %	100.00 %
8 ARAG Krankenversicherungs-AG, Munich	AG	Germany	94.00 %	94.00 %
9 ARAG North America Inc., Des Moines	Corporation	USA	0.00 %	100.00 %
10 ARAG plc, Bristol	plc (public limited company)	United Kingdom	100.00 %	100.00 %
11 ARAG Service Center GmbH, Düsseldorf	GmbH	Germany	80.00 %	100.00 %
12 Cura Versicherungsvermittlung GmbH, Düsseldorf	GmbH	Germany	100.00 %	100.00 %
13 HELP Forsikring AS, Oslo	AS (private limited liability company)	Norway	100.00 %	100.00 %
14 Interlloyd Versicherungs-AG, Düsseldorf	AG	Germany	0.00 %	100.00 %
15 ALIN 1 GmbH & Co. KG, Düsseldorf	GmbH & Co. KG (limited partnership with a GmbH as general partner)	Germany	100.00 %	100.00 %
16 ALIN 1 Verwaltungs-GmbH, Düsseldorf	GmbH	Germany	100.00 %	100.00 %

Description of the main affiliated companies

1. ARAG Holding SE is the parent company of the ARAG Group from a company law perspective. It does not exercise influence in the sense of acting as an overarching Group management entity. The operational management of the ARAG Group is the responsibility of ARAG SE. As well as managing the equity investments, ARAG Holding SE rents out real estate.
2. AFI Verwaltungs-Gesellschaft mbH manages 50.0 percent of the shares in ARAG SE. This management remit is limited to exercising its rights and fulfilling its obligations as a shareholder in the equity investment.
3. ARAG 2000 Grundstücksgesellschaft bR manages the site at ARAG Platz 1, 40472 Düsseldorf, where the ARAG Group's headquarters are located.
4. ARAG Allgemeine Versicherungs-AG operates the Group's casualty and property insurance business in Germany and through branches in the United Kingdom and the Republic of Ireland. It is necessary to operate this business in a separate company because, in Germany, legal insurance claims have to be settled separately (section 164 VAG). ARAG Allgemeine primarily offers modular insurance cover for general accident insurance, general liability insurance, and private property insurance (mainly composite residential buildings and home contents insurance) to private and small business customers. This company is also Europe's largest sports insurer, providing cover for over 20 million recreational sports participants and top-ranking athletes.
5. ARAG Insurance Company Inc., USA, operates legal insurance business, mainly through employers and trade associations. Insurance is provided to their employees and members, although coverage varies from state to state depending on the local regulatory rules. ARAG Insurance Company Inc. is part of the subgroup in the USA, which comprises four companies and is managed by ARAG North America Inc.
6. ARAG International Holding GmbH is an intermediate holding company connecting the North American (US and Canadian) subsidiaries to the ARAG Group in Germany. It is purely a financial holding company and limits itself to exercising its rights and fulfilling its obligations as a parent company. Besides its function as a holding company, it is also responsible for winding up the business activities of the ARAG Group's discontinued operations.
7. ARAG IT GmbH, which is located at the Düsseldorf site, primarily carries out data center activities and IT services for the ARAG Group. It also performs services for individual external customers.
8. ARAG Krankenversicherungs-AG operates the private health insurance business. The need to separate the different segments (section 8 (4) VAG) means that a separate company has to operate the health insurance business. ARAG Krankenversicherungs-AG has established itself in its market as a provider of high-quality full-coverage and supplementary private health insurance.

9. ARAG North America Inc., USA, is the country-specific holding company for the ARAG Group's US business lines. It holds all of the shares in the three other US subsidiaries.
10. ARAG plc, United Kingdom, works as an intermediary by brokering business with end customers and passing it on to primary insurers within and outside the ARAG Group. The bulk of claims settlement for the primary insurers is handled by ARAG plc itself.
11. ARAG Service Center GmbH is the customer service center for all German insurance companies in the ARAG Group, providing comprehensive assistance services and a telephone hotline around the clock.
12. Cura Versicherungsvermittlung GmbH brokers insurance business to third parties that the ARAG Group does not underwrite itself. The company also takes care of the insurance requirements of the ARAG Group's own employees.
13. HELP Forsikring AS, Norway, primarily offers family legal insurance coverage for interest groups – predominantly members of labor unions – in Norway, Sweden, and Denmark via local branches. In Norway, it also offers a special legal insurance product for homebuyers.
14. Interlloyd Versicherungs-AG is a wholly owned subsidiary of ARAG Allgemeine Versicherungs-AG and, like its parent company, operates the casualty and property insurance business. Unlike ARAG Allgemeine, however, it operates its business through insurance brokers rather than direct sales. Interlloyd Versicherungs-AG also has a branch in Spain.
15. ALIN 1 GmbH & Co. KG is a company whose purpose is to establish, hold, manage, and realize a portfolio of passive investments including, but not limited to, equity investments in companies with a similar object.
16. ALIN 1 Verwaltungs-GmbH is a company whose purpose is to acquire, hold, and manage shares in companies and various investments as well as to accept the general partner liability and handle management activities in connection with companies or partnerships structured in accordance with HGB. Its main object is to hold an equity investment in, and be the general and managing partner of, ALIN 1 GmbH & Co. KG, whose purpose is to establish, hold, manage, and realize a portfolio of passive investments.

Dividend/profit-and-loss transfer agreements

ARAG SE received an amount of €10,726 thousand from ARAG Allgemeine Versicherungs-AG for 2020 (2019: €11,282 thousand) in settlement of its right to the transfer of profit based on the profit-and-loss transfer agreement dated October 31, 2006.

The main dividend distributions received by ARAG SE in the reporting period were from the following companies:

• ARAG International Holding GmbH	€11,900 thousand
• ARAG Krankenversicherungs-AG	€3,572 thousand
• AXA-ARAG	€4,906 thousand
• ALIN 1 GmbH & Co. KG	€819 thousand
• ARAG 2000 Grundstücksgesellschaft bR	€481 thousand
• Le Foyer ARAG	€350 thousand
• ARAG plc, UK	€331 thousand
• SolFin GmbH	€153 thousand

The Management Board of ARAG SE is proposing to the Annual General Meeting that a dividend of €30,000 thousand be distributed to shareholders from the net retained profit for 2020.

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

Qualitative and quantitative disclosures on relevant events and significant intragroup transactions

ARAG SE is responsible for the operational management of the insurance business of the ARAG Group. In this role, it holds material equity investments in Group companies and performs centralized services for the insurance companies in the Group, e.g. investment management, risk management, and personnel development; it also manages overarching projects.

ALIN 1 GmbH & Co. KG was formed with liable capital of €10 thousand on September 18, 2014 for the purpose of carrying out and managing investments in infrastructure funds and private equity funds. ARAG SE is the sole limited partner. With subscribed capital of €25 thousand, the general partner is ALIN 1 Verwaltungs-GmbH, which was established by ARAG SE on October 20, 2014 specifically to perform this general partner role. Investments in the funds are covered by contributions by ARAG SE to the capital reserves of ALIN 1 GmbH & Co. KG. Such contributions are made in good time before the amounts being invested are due for payment. The capital contributions made in 2020 were €5,000 thousand on March 23, €5,000 thousand on May 4, and €3,900 thousand on October 5.

ARAG SE has contracts with the affiliated companies concerning the performance of services, insurance brokerage, the use of trademark rights, and support for and shared use of real estate, office furniture, and equipment. All of the contracts have been concluded on arm's-length terms.

ARAG IT GmbH, Düsseldorf, carries out consultancy services and data center activities for ARAG SE. They are settled at a price agreed between the parties. In 2020, consideration of €14,991 thousand was paid for the services performed for the headquarters. This consideration also includes the cost of assets and services that were then passed on to other Group companies.

ARAG IT GmbH has been given responsibility for a large number of support functions in recent years (e.g. data center operation, software support, and maintenance). In addition, the SAP FI rollout is taking on increasing significance in the branches.

On August 28, 2001, ARAG SE and ARAG 2000 GbR entered into a rental agreement concerning the use of office and storage space in Düsseldorf with effect from March 1, 2001. The rental agreement covers extensive office, storage, and data center space as well as underground parking. In 2020, an amount of €7,602 thousand was invoiced for use of these areas and an amount of €3,197 thousand for secondary costs.

There were no other relevant transactions in the period under review.

A.1.3 Line of business

ARAG SE is the largest family-managed insurance company in Germany and is one of the world's three leading providers of legal insurance. It focuses on state-of-the-art product concepts aimed at both private and small business customers. The modular structure of these concepts means that insurance can be precisely tailored to the requirements of each customer. An important role is also played by customized legal insurance products designed for particular target groups.

The Company is a legal insurance provider focusing on private and small business customers. It is not involved in diversified corporate business with individual risks. Outside Germany, it also operates travel insurance business in connection with its provision of legal insurance.

ARAG began to operate outside Germany for the first time more than 50 years ago. The main purpose was to set up separate international companies in the Group that could provide support for the German legal insurance customers in the event of a claim. It became clear that this model in itself was not sustainable. However, there was a demand for legal insurance within each of the countries themselves, as a result of which it was possible to develop new business models in line with the various circumstances and tap into new markets. ARAG now operates in a total of 19 countries – Germany, other European countries (including the Republic of Ireland), the US, Canada, and Australia – through branches, subsidiaries, and equity investments.

In addition to the Group headquarters in Düsseldorf, ARAG SE maintains operational branches in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, Spain, and the United Kingdom. The international branches run their operating businesses in their local markets independently, taking into account the specific local circumstances in each case. ARAG SE is one of the most internationalized German insurers, with 58.7 percent of its total gross premiums written accounted for by international business.

In Germany, ARAG SE's activities are limited to just one class of insurance: legal insurance. In Italy, Spain, and Portugal, it also operates legal-insurance-related special service package business in addition to legal insurance business. As well as in the aforementioned international branches, legal insurance is also provided in the US, Norway, Sweden, and Denmark. In each case, the business is operated through legally independent affiliated companies, under the unified management of ARAG SE in its role as parent company.

In addition, ARAG SE operates in Switzerland via equity investments in legal insurance associates. In the United Kingdom, a Group company acts as a broker for legal insurance business and legal-insurance-related special service package business, passing this business to four UK primary insurers. Some of this insurance is then ceded to ARAG SE under quota-share reinsurance treaties. This intermediary model has been adapted for use in the Canadian market, where ARAG offers legal insurance through a Group company.

ARAG SE also holds an equity investment in a legal insurance company in Luxembourg.

Insurance portfolio

At the end of the reporting year, ARAG SE had 4,527,606 in-force insurance policies (December 31, 2019: 4,506,150), of which 1,688,439 related to the business in Germany (December 31, 2019: 1,610,872) and 2,839,167 to international business (December 31, 2019: 2,895,278).

A.1.4 Significant business or other events in the reporting period

Products

The success of the ARAG Group is based on the high quality of its products and the particular innovative strength of the Group. The high quality of its offerings and services is reflected in the many awards and seals of approval that it regularly receives from independent organizations. In its core legal insurance segment, ARAG has for 85 years played a major role in shaping the German market with innovative products and services and offers customers protection, support, and legal guidance.

However, customers' needs are undergoing rapid change as a result of digital transformation and, in particular, the COVID-19 pandemic. For example, demand for legal assistance and support rose markedly in 2020. Within a very short space of time, ARAG therefore created a broad range of information, advisory, and support services for both customers and non-customers and came up with a range of measures that took customers' individual circumstances into account. The financial measures included giving customers the option of deferring the payment of their premiums.

Alongside its first-rate services and offerings, ARAG fundamentally revised the product spectrum in its core legal insurance division in the reporting year, expanding it with numerous product innovations. The market launch of the new legal insurance product in spring 2021 is the most notable new addition. Its three product versions provide modern and comprehensive cover and offer the customer even more features, even more services, and even more support. The Basis version of the legal insurance offering for price-sensitive customers has been completely redesigned. It now also provides protection in relation to key out-of-court areas of cover. It goes without saying that the new generation of legal insurance cover offers additional innovative benefits as well as an enhancement of the existing unique selling proposition. One example is the anti-stalking legal insurance included in the Komfort and Premium versions. The Premium version now also includes (retrospective) cover for pursuing individual claims following a model case procedure. Only ARAG offers this specific type of cover. A new feature of the Premium version is a one-time option to obtain precautionary advice on any legal issue. Under this

feature, a customer can obtain precautionary legal advice from an attorney at the expense of ARAG on a once-only basis without a specific insured event needing to have arisen. Ali-mony disputes are now included for Premium customers as another new feature. Both private and small business customers can switch their insurance to the new Premium product line without suffering any disadvantage: If a legal insurance claim occurs in the first three years of cover that is not insured by ARAG but was insured in the policy that it directly replaced, then the conditions of the previous policy will apply. The legal insurance protecting the self-employed in the event of contract disputes was completely revised to make it possible to provide immediate cover for commercial legal insurance by paying a premium at the point of sale.

Systems, IT, and digitalization

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 – or the introduction of a new document center providing access to templates for legal documents. ARAG Health created the *Smarte Zahnwelt* (Smart Dental) project, which offers customers additional benefits related to dental health.

In 2020, in the Smart Data category, the technical and functional foundations were laid for a digital reporting system in the ARAG Group as part of the *TranspARAGcy* project, which is due to go live in 2021. Once it is introduced, it will provide an even more holistic and integrated overview of financial, controlling, and risk data. 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. Going forward, this will help the Group to swiftly and pragmatically develop and offer tailored digital services and products.

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. The revision was completed at the beginning of the reporting year. The Group's corporate culture is also evolving, for example through the increasing use of agile working methods and new virtual approaches to learning and information-sharing, such as the new learning platform Learn2Develop.

Overall, the ARAG Smart Insurer Program is expected to be completed on schedule by the end of 2021.

Insurance-specific events

In 2020, ARAG SE had no significant insurance-specific events (such as major claims payouts) to report that materially affected its business performance.

Company changes

The ARAG Group continued to pursue its strategy of internationalization in the reporting year, further expanding the business of the company that it had established in Australia in 2018. The primary objective of this company is to sell legal insurance products and services. The ARAG Group also further expanded the legal insurance portfolio of an Irish insurer that it had taken over in 2019. And on March 15, 2021, so after the reporting date, ARAG SE acquired all the shares in DAS Legal Protection Inc., Canada.

There were no other changes to the ARAG Group's structure or to the core business with an impact on ARAG SE.

On July 7, 2020, the Annual General Meeting elected Dr. Dr. h. c. Paul-Otto Faßbender as Chairman of the Supervisory Board with immediate effect after the planned expiry of his term of appointment as CEO of ARAG SE on July 4, 2020. The majority shareholder thus replaced Gerd Peskes, who had chaired the Supervisory Board since 2004. Gerd Peskes was elected Deputy Chairman. Professor Dr. Ackermann stepped down from the Supervisory Board of ARAG SE on June 30, 2020.

Dr. Renko Dirksen became Speaker of the Management Board of ARAG SE on July 4, 2020 and has coordinated the work of the Management Board since that time. On April 2, 2020, Dr. Werenfried Wendler took charge of Group Human Resources/Audit.

There were no changes in the Company's shareholdings or material changes in business activities in the reporting year.

Other events

The COVID-19 epidemic that broke out at the end of 2019 turned into a global pandemic in 2020. This had – and is still having – extreme consequences for all areas of public life and the economy.

The rapid increase in cases in 2020 triggered both a supply and a demand shock in the affected countries. Further down the line, these are still presenting significant difficulties in terms of the economic handling of the pandemic. Massive slumps in the capital markets and the associated flight to safe havens are continuing to exacerbate the impact on the real economy.

The extent to which economic activity was restricted varied from industry to industry. The travel sector, for example, came to an almost complete standstill, whereas healthcare and some retail segments were generally not as badly affected. Industries in which remote working is possible, which thus have a lower risk of infection, have reported a lesser impact. Restricted economic activity was mitigated by an array of measures in 2020, including short-time working and temporary support payments. Besides the obvious constraints, however, businesses are also being presented with opportunities as a result of the COVID-19 pandemic – particularly in relation to the use of digital technologies.

From the beginning, the insurance industry was among those that felt the impact of the pandemic. As well as operational restrictions, the main consequences were restrictions in sales, higher claim payments in some cases, and effects on investment portfolios.

This presented a major challenge for the ARAG Group too, but also big opportunities. For example, in this crisis situation, the Group was once again able to demonstrate the strength of its capabilities in terms of speed, flexibility, and innovation. Right from the start of the pandemic, customers began needing more legal guidance and reassurance, including in regard to healthcare. An increase in demand for legal insurance and private health insurance was one of the consequences of this.

In response to the change in its customers' requirements, ARAG quickly set up a wide range of services (some of which were newly created) and offered general information that was continually updated. Some of the services, such as the attorney online chat service and the COVID-19 attorney hotline, were (and are still) also available to non-customers free of charge. ARAG also implemented a range of measures to support its workforce. By late 2019/early 2020, every employee had already received a personal laptop featuring the latest software, which enabled the user to make video calls among other things. At the outbreak of the pandemic, it was therefore possible within a few days to switch almost entirely and without disruption to remote working. The Group also provided additional support to its employees through various measures and offerings to help them work from home.

There was no negative impact on new business nor was there an increase in lapse rates. Claims incurred in the reporting year were influenced by the pandemic, but a nuanced view needs to be taken of the effects on the individual insurance segments. The trends in the capital markets affected the ARAG Group companies differently depending on the composition and size of their investment portfolios.

As described in chapter A.2, ARAG SE maintained its strong business performance of recent years in 2020 despite the prevailing uncertainty of the economic situation. It is difficult to predict the future impact of the COVID-19 pandemic, however. The Company is expecting it to be more difficult to achieve a healthy profit after taxes in 2021.

The extent of the pandemic's economic impact remains very uncertain for all industries. Further measures are needed to contain the pandemic, in particular faster testing methods that people are able to perform themselves and vaccination of the population.

A.2 Underwriting Performance

A.2.1 Underwriting performance – overview

In the year under review, ARAG SE generated **income from gross premiums written** of €1,009,786 thousand (2019: €977,678 thousand). This increase was attributable to a rise in premiums in direct business in Germany (5.6 percent) and to strong growth in the international markets, most notably in Italy (8.7 percent) and the Netherlands (6.7 percent). In Spain and Portugal, however, the pandemic led to a contraction in the legal-insurance-related travel insurance business.

Claims incurred (gross) rose from €507,077 thousand to €509,729 thousand. The claim settlement costs included in this figure amounted to €129,554 thousand (2019: €146,960 thousand). A share of the claims amounting to €155 thousand (2019: €407 thousand) was ceded to reinsurers in 2020. Expenses for claims incurred increased overall due to the growth of the insurance portfolio. The claims ratio (net) based on the recognized claims incurred went down overall, from 51.9 percent to 50.8 percent. This decline was attributable to the provision related to accumulation risk in Germany in the prior year and a fall in claims costs in the Italian business.

The **change in other technical provisions (net)** amounted to income of €1,587 thousand (2019: expense of €497 thousand).

No **miscellaneous underwriting expenses (net)** or other miscellaneous items were incurred in 2020 or 2019.

Insurance business operating expenses (gross) increased year on year, from €426,770 thousand to €443,518 thousand. The acquisition costs included in this figure amounted to €100,338 thousand (2019: €113,470 thousand). At 44.2 percent, the cost ratio was up slightly year on year (2019: 43.7 percent). Administrative expenses climbed by 9.5 percent to €343,180 thousand (2019: €313,300 thousand). A key factor in this change was the rise in commission rates of European primary insurers with which ARAG SE does indirect business. The costs were mitigated to some extent by savings on travel and training costs.

The **underwriting result** in accordance with HGB net of reinsurance in 2020 amounted to €23,211 thousand (2019: €33,071 thousand). Based on the quantitative reporting required for regulatory purposes (see template S.05.01.02 in the Appendix), the underwriting result for the reporting period amounted to €42,309 thousand (2019: €34,670 thousand).

The following table shows this underwriting result with a reconciliation to the underwriting result in accordance with HGB, as published in the Company's 2020 Annual Report.

Underwriting result (net)

(€'000)	2020	2019
Net premiums earned	1,002,567	976,582
Claims incurred (net, excluding claim settlement costs)	380,176	360,117
Changes in other technical provisions (net)	1,587	-497
Expenses incurred (net)	581,669	581,298
Underwriting result in accordance with template S.05.01.02	42,309	34,670
Miscellaneous underwriting income	1,159	1,891
Expenses for investment management	-8,598	-7,568
Underwriting result in accordance with HGB*	52,066	44,129
Change in the equalization provision and similar provisions	-28,855	-11,058
Underwriting result in accordance with HGB	23,211	33,071

* Underwriting result before change in the equalization provision and similar provisions

The structure of the presentation follows that of template S.05.01.02 in the Appendix.

The miscellaneous underwriting income of €1,159 thousand (2019: €1,891 thousand) largely comprised income from realized interest and costs in connection with court proceedings to recover debts.

No miscellaneous underwriting expenses (net) or other miscellaneous items were incurred in 2020 or 2019.

A.2.2 Underwriting result by main line of business

The following table shows a breakdown of the underwriting result by main line of business:

Underwriting result by main line of business*

(€'000)	Net premiums earned	Claims incurred (net, excluding claim settlement costs)	Changes in other technical provisions (net)	Expenses incurred and other expenses (net)	Underwriting result	Underwriting result
					2020	2019
Legal insurance	957,664	357,638	1,587	559,354	42,259	30,810
Travel insurance	35,913	22,051	0	17,615	-3,753	135
Miscellaneous insurance	8,990	487	0	4,700	3,803	3,725
Total	1,002,567	380,176	1,587	581,669	42,309	34,670

* In accordance with template S.05.01.02

A.2.3 Underwriting result by main geographical area

The following table shows a breakdown of the underwriting result by main geographical area:

Underwriting result by main geographical area*

(€'000)	Net premiums earned	Claims incurred (net, excluding claim settlement costs)	Changes in other technical provisions (net)	Expenses incurred and other expenses (net)	Underwriting result	Underwriting result
					2020	2019
Germany	438,826	262,522	1,592	205,385	-27,489	-32,074
Netherlands	174,324	14,839	0	144,739	14,746	18,948
Spain	126,782	56,292	0	61,974	8,516	9,601
Italy	153,270	17,656	0	113,218	22,396	16,129
Austria	72,703	15,806	-5	33,182	23,710	20,507
Other areas	36,662	13,061	0	23,171	430	1,559
Total	1,002,567	380,176	1,587	581,669	42,309	34,670

* In accordance with template S.05.01.02

The legal insurance business is operated in Germany and other European countries. Travel insurance business is only operated in Spain and Portugal. Miscellaneous insurance business mainly comprises supplementary financial assistance benefits and is only offered in Spain and Italy.

A.3 Investment Performance

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

Gains and losses on investments increased significantly from a net gain of €78,951 thousand to a net gain of €100,966 thousand. **Total income from investments** amounted to €119,622 thousand (2019: €100,801 thousand). This was mainly attributable to a reversal of a write-down of a subsidiary in an amount of €52,014 thousand because the reasons for the original write-down no longer applied. As budgeted, there was a sharp fall in **current income** from other investments owing to reinvestment in institutional funds. Although the businesses of the subsidiaries performed well, their income from equity investments declined significantly due to a deterioration in current gains and losses on investments.

Total expenses from investments amounted to €18,656 thousand (2019: €21,850 thousand).

The lower level of write-downs in 2020 went at least some way to compensating for the gains on disposal that had resulted from the restructuring of the securities portfolio in the prior year (2020: €1,671 thousand; 2019: €14,340 thousand). At €8,598 thousand, **current expenses** were at roughly the same level as in the prior year (2019: €7,568 thousand). Administrative expenses rose by €1,756 thousand year on year due to the fire protection measures carried out at a Düsseldorf property. The effect of this was lessened by the fact that an income subsidy of €1,000 thousand had been paid to a legaltech subsidiary in the prior year. **Sundry expenses** fell year on year to €1,003 thousand as a result of the decrease in depreciation and amortization; in the prior year, the carrying amounts of the equity investments in two subsidiaries had been written down by €11,189 thousand. In addition, securities investment funds were written down by €3,657 thousand because of the environment in the capital markets. The redemption of units in securities investment funds resulted in losses on disposals of €2,416 thousand in the reporting year.

The net gains* on investments of €100,966 thousand described above equated to a **net yield**** on investments of 4.8 percent (2019: 4.0 percent). The **current average yield***** on investments was 2.3 percent (2019: 3.7 percent).

* The expense for the management of investments is included in the net gain or loss.

** Calculation of net yield: net gain or loss on investments/average value of investment portfolio

*** Calculation of current average yield: ordinary gains and losses on investments/average value of investment portfolio

The following table shows the breakdown of ARAG SE's gains and losses on investments in accordance with HGB* by individual asset class as required by Solvency II:

Gains and losses on the investments of ARAG SE

Type of investment (€'000)							Change in gains and losses	
	Current income	Realized gains	Realized losses	Reversals of write-downs	Depreciation, amortization, and write-downs	Current expense/loss transfers	Gains and losses on investments in 2020	Gains and losses on investments in 2019
Property, plant & equipment held for own use	3,006	0	0	429	604	0	2,830	1,737
Property (other than for own use)	1,734	437	0	773	288	2,600	55	-14
Holdings in related undertakings, including participations	34,734	0	259	52,015	1,004	59	85,427	30,424
Equities – listed	19	0	0	0	74	0	-55	99
Equities – unlisted	24	0	0	0	0	0	24	0
Government bonds	4,211	53	388	142	123	0	3,895	4,328
Corporate bonds	7,952	255	481	810	529	0	8,007	10,819
Structured notes	0	0	0	0	0	0	0	0
Collateralized securities	1,449	12	16	1	9	0	1,437	1,766
Collective investment undertakings	2,308	914	2,416	7,676	3,657	0	4,825	34,809
Derivatives	0	0	0	0	0	0	0	0
Deposits other than cash equivalents	8	0	0	0	0	350	-342	-265
Other investments	474	0	0	0	210	0	264	626
Deposits to cedants	187	0	0	0	0	0	187	172
Cash and cash equivalents	0	0	0	0	0	0	0	0
Current expense (unallocated)/loss transfers	0	0	0	0	0	5,589	-5,589	-5,549
Total	56,105	1,671	3,560	61,846	6,498	8,598	100,966	78,951

Information on gains or losses recognized directly in equity

In the reporting year, the Company did not recognize any gains or losses directly in equity, for example as a result of the disposal of own shares. However, this does not include gains or losses arising from ordinary activities.

* The total of the gains and losses on investments presented in the table equates to the gains and losses on investments published in ARAG SE's 2020 Annual Report.

Information on securitization instruments

Investments in securitization instruments also make a contribution to investment performance. As defined in HGB accounting rules, securitization instruments mainly comprise instruments such as asset-backed securities and mortgage-backed securities. Pfandbriefs, on the other hand, are not classified as securitization instruments because they are treated as corporate bonds.

From a Solvency II perspective, the Company held asset-backed securities and mortgage-backed securities with a value of €826 thousand as of the reporting date (December 31, 2019: €1,980 thousand).

A.4 Performance of Other Activities

Other net income/expense includes staff costs and general and administrative expenses that were not allocated to an insurance or investment-related function in accordance with function-based accounting. These are expenses that are incurred on behalf of the Company as a whole (e.g. remuneration for members of supervisory bodies, the auditor's fees, general costs for legal advice and tax advice, and the expense for provisions for pensions and other post-employment benefits) or that arise from the performance of services for other Group companies and third parties.

The following table provides an overview of the components of other net income/expense:

Other income			
(€'000)	2020	2019	Change
Income from insurance brokerage	49,336	48,419	917
Income from services	48,279	41,884	6,395
Income from the reversal of provisions	4,262	4,704	-442
Income from sub-letting of premises	2,397	2,630	-234
Sundry income	8,008	5,927	2,081
Total	112,282	103,564	8,718

Other expenses			
(€'000)	2020	2019	Change
Expenses for services	106,322	93,513	12,809
Expenses incurred on behalf of the Company as a whole	30,638	28,247	2,391
Interest expense and similar charges (interest cost from unwinding of discounts, interest on taxes)	6,788	6,290	498
Sundry expenses	11,740	13,286	-1,546
Total	155,488	141,336	14,153
Total other net income/expense	-43,207	-37,771	-5,435

Tax income/expense

The tax expense amounted to €13,384 thousand in 2020 (2019: €21,229 thousand).

Information on leases

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

A.5 Any Other Information

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

B. System of Governance

B.1 General Information on the System of Governance	28
B.2 Fit and Proper Requirements	35
B.3 Risk Management System Including the Own Risk and Solvency Assessment	39
B.4 Internal Control System	46
B.5 Internal Audit Function	49
B.6 Actuarial Function	50
B.7 Outsourcing	51
B.8 Any Other Information	52

B.1 General Information on the System of Governance

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

B.1.1 Management Board and Supervisory Board

Management Board

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

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

There were changes to the Management Board during the reporting period. These are described in chapter A.1.4. As of December 31, 2020, the Management Board of ARAG SE had six members. The responsibilities are allocated as follows:

- Dr. Renko Dirksen: Speaker of the Management Board/Central Group Functions (new role, effective since July 4, 2020)
- Dr. Matthias Maslaton: Sales, Products and Innovation
- Wolfgang Mathmann: Group Finance
- Hanno Petersen: Group IT and Operations
- Dr. Joerg Schwarze: Group Risk Management and Group Controlling
- Dr. Werenfried Wendler: Group Human Resources/Audit (since April 2, 2020)

A groupwide body, the Group Executive Committee (GEC), has also been established. It provides a platform for keeping the Group Management Board updated on business performance, discussing strategic matters, and preparing decisions to be made by the Management Board. Groupwide policies and standards that are relevant to subsidiaries in Germany and abroad are also discussed.

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

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

Supervisory Board

The Supervisory Board is responsible for appointing and monitoring the Company's Management Board. There were changes to the Supervisory Board during the reporting period. Dr. Dr. h.c. Paul-Otto Faßbender became a member of the Supervisory Board on July 4, 2020 and its Chairman on July 7, 2020, the same date that the previous Chairman of the Supervisory Board, Gerd Peskes, was elected Deputy Chairman. Professor Dr. Walter Ackermann stepped down from the Supervisory Board on June 30, 2020. As of December 31, 2020, the members of the Supervisory Board were as follows:

- Dr. Dr. h. c. Paul-Otto Faßbender (Chairman)
- Gerd Peskes (Deputy Chairman)
- Margit Schuler (Deputy Chairwoman, employee representative)
- Dr. Tobias Bürgers
- Dr. Michael Pielorz
- Professor Dr. Fred Wagner
- Dr. Sven Wolf
- Marco Hoogendam (employee representative)
- Richard Wenhart (employee representative)

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

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

The Accounting and Audit Committee is responsible for advising on financial reporting, tax law, corporate planning, risk management, solvency, and the timely implementation of the related regulatory requirements. Furthermore, it monitors the awarding of contracts for non-audit services to the Company's current auditor and to firms that might

potentially become the Company's auditor in the future. It is also responsible for the invitation to tender and short-listing for the appointment by the full Supervisory Board of a new auditor.

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

B.1.2 Key functions

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

Risk management

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

Compliance

The tasks of the compliance function are performed by the Group Legal/Compliance Central Department. The main duty of the function is to create the framework for compliance with the obligation to operate within the law, for example by issuing policies and guidelines, in order to ensure legal requirements are fulfilled and corporate objectives are achieved. Responsibility for implementing the guidelines and policies lies with the manager of each individual department. The Chief Compliance Officer advises the Management Board on the risk resulting from changes to the law and submits regular reports on their work to the Management Board.

Internal audit

Internal audit tasks are performed by the Group Audit Central Department. The Group Audit Central Department is a process-independent function that examines and assesses structures and activities within the Group. Auditing is carried out on behalf of the

Management Board and covers all processes relating to business operations. The Group Audit Central Department has to assess and evaluate the integrity, propriety, effectiveness, efficiency, and adequacy of the internal control system (ICS). Audit findings are made available to the members of the Management Board in the form of an audit report.

Actuarial function

The Actuarial Function department is responsible for the actuarial functions. It is essentially responsible for verifying the methodology used to calculate the technical provisions and for ensuring the adequacy of both the underwriting and contracting policy and the reinsurance policy. This includes verifying the methods applied, the assumptions made, and the data used. Responsibilities also include validating the partial internal model. The department submits reports on its findings to the Management Board and the supervisory authority.

B.1.3 Information on remuneration guidelines and policies

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

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

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

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

Risks for the Company arising in relation to remuneration are managed effectively. For example, particular attention is paid to avoiding, as far as possible, any conflicts of interest that could arise between the individual tasks assigned to an employee or member of a governing body and their remuneration structure. Suitable measures are also put in place in advance to prevent such risks materializing.

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

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

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

If members of the Management Board of ARAG SE simultaneously hold Management Board or senior management positions in subsidiaries of ARAG SE, they do not receive any additional remuneration for these activities. However, such multiple roles can be acknowledged in the various categories within target agreements related to the variable remuneration granted under the principal employment contract. In this case, particular attention is paid to ensuring that this does not give rise to conflicts of interest.

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

If members of the Management Board of ARAG SE are also members of a Supervisory Board or administrative board of a subsidiary of ARAG SE, they receive fixed remuneration for these activities, but this remuneration is offset against the remuneration for the Management Board activities.

Members of the Supervisory Board of ARAG SE only receive fixed remuneration for their activities; the amount is specified in accordance with the articles of incorporation. Where members do other work within the Group, individual arrangements are in place to determine whether remuneration for this work is offset against their Supervisory Board remuneration.

Unless **employees** of insurance companies in the Group are granted variable remuneration components under a pay agreement or other collective agreement on a non-discretionary basis, employees only receive such variable remuneration when they reach a certain management level.

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

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

Variable remuneration granted to individuals responsible internally for **key functions** follows the general principles for managers described above. Care is taken to ensure that the targets relevant to this variable remuneration are designed such that the variable remuneration is independent of the performance of the operating units and divisions that are supervised by the function holder concerned.

Variable remuneration granted to individuals responsible internally for key functions ranges from 15.0 percent to 35.0 percent of their basic salary, depending on the postholder concerned. As part of the Company's obligation to work toward compliance, deferred payment of 40.0 percent of their variable remuneration was agreed for all postholders with one exception. To date, no arrangement has been made with this remaining postholder for a partial deferral of payments.

Where subsidiaries of ARAG SE have outsourced key functions to ARAG SE, the persons responsible for these key functions at ARAG SE do not receive any additional remuneration for performing this work.

The Company grants **members of the Management Board** and their surviving dependants rights to a retirement pension, a widow's/widower's pension, and an orphan's pension. The retirement pension is calculated as a percentage of pensionable salary, which equates to the basic salary (excluding bonuses, remuneration in kind, etc.). There is also a cap on the absolute maximum amount. The widow's/widower's pension is equivalent to two-thirds of the retirement pension; the orphan's pension for each child is equivalent to one-third of the widow's/widower's pension. The total of the surviving dependants' pensions is limited to the amount of the retirement pension.

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

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

Supervisory Board members do not receive any supplementary pensions.

Persons responsible for **key functions** receive an occupational retirement pension, the amount and extent of which is determined by the management level of the person concerned and standard market practice. No early retirement arrangements have been made.

B.1.4 Material transactions

Information on material transactions with shareholders, persons able to exercise significant influence over the Company, or members of the administrative, management, or supervisory bodies can be found in chapter A.1.2.

B.1.5 Significant changes to the system of governance

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

B.1.6 Adequacy of the system of governance

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

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

B.2 Fit and Proper Requirements

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

Management Board members and CEOs of branches in the European Economic Area (EEA)

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

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

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

The aforementioned qualifications apply analogously to the CEOs of the Company's various branches in the EEA. However, their knowledge must relate primarily to the particular branch for which they are responsible. They also need to know about the domestic market in which their branch operates.

A standard benchmark is used to assess whether Management Board members and CEOs of EEA branches are personally suitable for their role. Someone is assumed to be of good repute ('proper') if there is nothing to indicate the contrary. Someone is assumed not to be of good repute if, based on general life experience, their personal circumstances justify the assumption that these circumstances might negatively affect the careful and proper performance of their role or of the tasks assigned to them. The factors considered are personal behavior and business conduct with regard to criminal-law, financial, property-law, and regulatory aspects. The laws of both Germany and other jurisdictions apply.

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

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

Supervisory Board members

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

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

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

Key functions

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

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

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

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

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

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

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

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

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

Continuing professional development as an ongoing process

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

Cause for reassessment

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

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

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

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

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

B.3.1 Implementation of the risk management system

Risk strategy

The Management Board specifies the risk strategy on the basis of the business strategy. The risk strategy sets out the risk policy framework for the risk exposures associated with the strategic business objectives. It defines each risk category and the specifications for the relevant risk management process. The risk strategy also contains rules on risk-bearing capacity in the form of coverage ratios that are determined by business policy requirements and are set by the Management Board based on its risk appetite. Risks are therefore managed in the round, ensuring at all times that the overall risk profile is consistent with the risk strategy. The risk strategy also provides the basis for the further specification of the risk management system in the risk management guidelines, in particular for the definition of a limit system and targets for asset/liability management (ALM).

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

Risk-bearing capacity and limit system

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

ARAG SE's limit system provides an additional means of monitoring the risk-bearing capacity as it looks at the risk contribution from individual risk categories. Limits are set at the level of the risk categories (including sub-risks) based on the Management Board's risk appetite. The utilization of the limits is calculated during the year so that an assessment can then be made as to whether further risks can be assumed, risks need to be reduced, or an adjustment to the limits is required. These calculations also take account of changes to own funds. A traffic light system is used, for both risk-bearing capacity and the limits at risk category level. The system enables ARAG to identify changes in the utilization of limits in good time and initiate corrective measures if necessary.

Risk management function

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

Operating decisions about whether or not to pursue opportunities and/or take on risk are made in the units with relevant responsibility. The roles and responsibilities of all the people involved in the process, such as members of the Management Board, managers, and local and central risk managers, are clearly defined and documented in the Company's risk management guidelines.

B.3.2 Risk management process

Risk identification

The aim of risk identification is to identify the emergence of new risks or changes in existing risks at an early stage and to assess them using a standard procedure. For example, risks arising in connection with the development of new markets or the launch of new products are identified, analyzed, measured, and submitted to the Management Board for decision using appropriate cross-functional review processes, such as the new-product process. Corresponding processes have also been put in place for new investment products and reinsurance instruments. These procedures are also integrated into the existing limit and monitoring processes.

Risk analysis

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

Risk assessment

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

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

Risk management

The Company's approach is to manage risk where it arises. Operational management of risk is thus carried out by the managers and process owners in those departments where the risks occur. Risk management consists of implementing measures to reduce, mitigate, transfer, and diversify risks.

Risk monitoring and reporting

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

Unexpected or extreme events can also affect the risk profile. For this reason, ad hoc reports may be submitted if necessary.

B.3.3 Own risk and solvency assessment (ORSA)

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

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

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

The risk model used is also assessed on the basis of the results from validating the internal models and from assessing the assumptions used in the standard formula.

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

All results are aggregated in the ORSA report and signed off by the Management Board. Once approved, the report is sent to all the relevant responsible parties so that they can incorporate the results into their decision-making processes.

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

B.3.4 Governance of the partial internal model

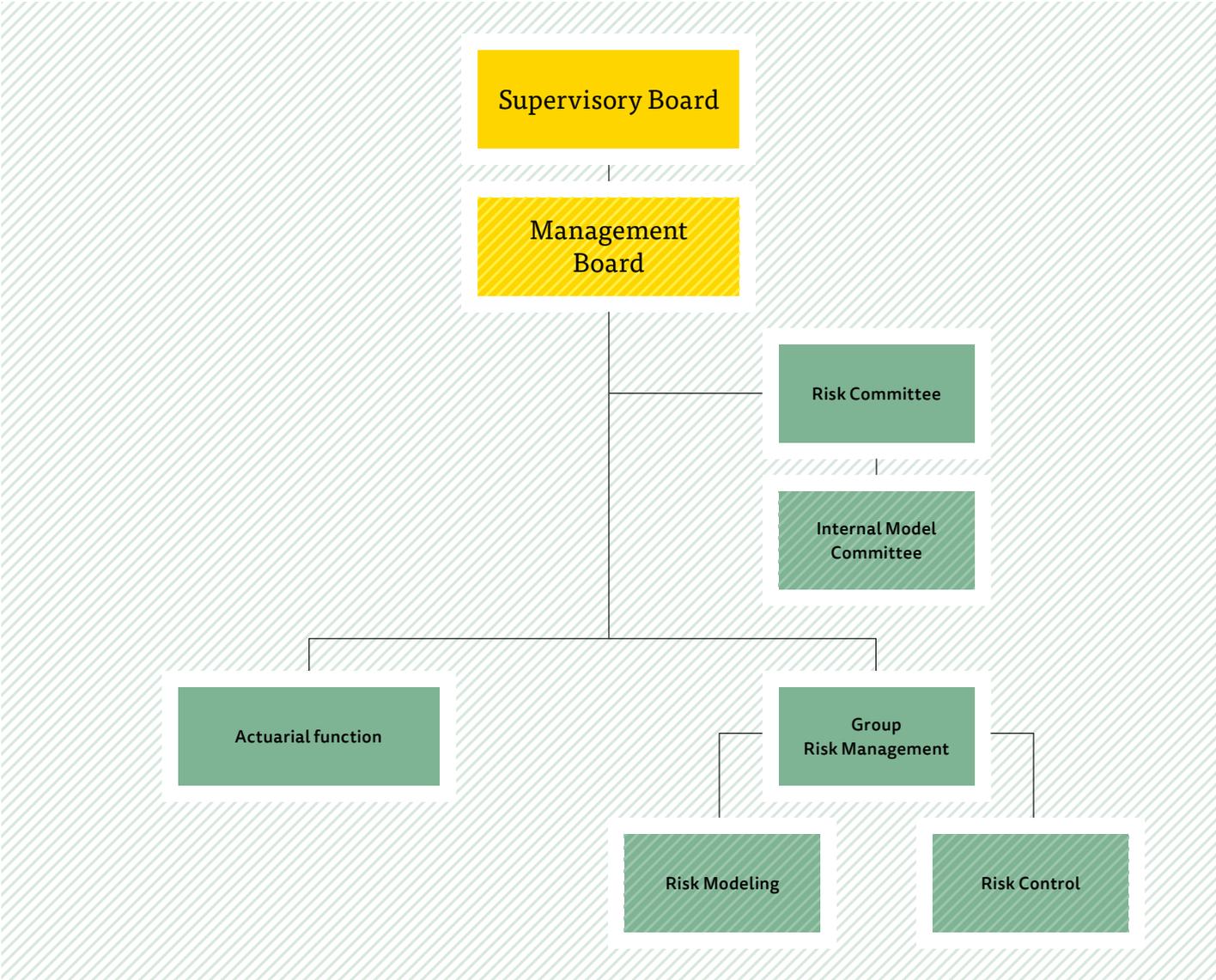
The Management Boards of the companies in the ARAG Group have formed a Risk Committee (RiCo) in order to incorporate the partial internal model into corporate management. The Risk Committee's main task is to assist the individual Management Boards with performing their risk management tasks in accordance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

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

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

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

The Risk Committee's position within the organization



B.4 Internal Control System

B.4.1 Internal control system

Definition and tasks

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

The ICS has a consistent structure throughout the Group, ensuring that the connected systems and reports in the Group can be verified.

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

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

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

Organizational structure of the ICS

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

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

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

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

Third line of defense The Group 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.

Operational structure of the ICS

As part of the ICS's operational structure, the processes relevant to the ICS are documented using a process and control system. This is made up of three elements: the process map (providing an overview of the overall operational structure), the process documentation, and the annual approval process. Processes are classified as being relevant to the ICS on the basis of the following criteria:

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

B.4.2 Compliance

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

At Group level, the compliance function is part of the Group Legal/Compliance Central Department and is the responsibility of the Speaker of the Management Board of ARAG SE. Although the Compliance Officer submits reports to the Management Board as a whole, this role is directly and exclusively accountable to the Speaker of the Management Board of ARAG SE.

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

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

- Chief Information Security Officer (optional)
- Internal Audit
- IT Security (optional)
- Corporate Communications (optional)
- Risk Management
- Tax Department (optional)

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

B.5 Internal Audit Function

The Group Audit Central Department is an instrument of the Management Board, to which it is directly accountable and to which it reports. Until June 2020, it was assigned to the Management Board member responsible for the Central Group Functions at ARAG SE, who was the board member to whom responsibility for Group Audit was assigned under the schedule of responsibilities. Since July 2020, it has been assigned to the Management Board member responsible for Human Resources/Audit at ARAG SE. Group Audit is bound only by the instructions of the Management Board.

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

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

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

To ensure that it is able to fulfill its role and responsibilities properly, Group Audit does not get involved in operational processes. It is not permitted to assign tasks to employees of Group Audit that would conflict with Group Audit's independence within the ARAG Group, nor are these employees allowed to carry out non-auditing work or operational activities. Group Audit itself does not have any authority to issue instructions to employees in other departments.

To avoid conflicts of interest, ARAG Group Audit does not conduct any project-related audit procedures. Its involvement in projects is limited to an advisory role, in particular regarding the design of the ICS. Group Audit does not sign off the results of (sub)projects. This safeguards its independence and ensures it does not have any responsibility for the outcome of the projects in question.

B.6 Actuarial Function

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

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

B.7 Outsourcing

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

Outsourcing in the regulatory sense therefore encompasses the outsourcing of functions and insurance activities by an insurance company to another entity.

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

Every outsourcing project must be assessed to establish whether it involves the outsourcing of a function or activity subject to the regulatory outsourcing requirements. Section 32 VAG specifies that this includes functions and insurance activities subject to enhanced requirements where the functions or insurance activities concerned are classified as important. If a project is to be classified as ‘outsourcing’, there must always be a relationship between the outsourced function or activity and the insurance business.

The outsourcing of a key function represents a special situation, however. In this case, the Management Board has to appoint an outsourcing officer for the outsourced function who is responsible for the proper performance of the key function by the service provider and has to meet the ‘fit and proper’ requirements because of their monitoring role. This applies regardless of whether the service provider is an external company or a Group company. Where outsourcing within the Group takes place, no less care is taken in respect of the outsourced projects and their monitoring and control, for example by the service provider’s dedicated points of contact. Outsourcing within the Group may justify a more flexible approach in individual cases if this involves fewer risks than with outsourcing

to an external company. Nevertheless, it is still essential that service activities in the individual Group companies are adequately separated from an organizational perspective. In general, ARAG SE ensures that outsourcing never has an adverse impact on the proper performance of the outsourced functions or insurance activities, on the Management Board's ability to manage and control them, or on the supervisory authority's ability to verify and control them. It also ensures that the service provider can be monitored at any time by the supervisory authority.

ARAG SE does not outsource the key functions of risk management, compliance, internal audit, and the actuarial function. All four key functions are carried out independently of each other within the Company.

No new outsourcing relationships, either within the Group or with third parties, were established in 2020 in respect of important functions or insurance activities. Through corresponding service agreements, however, ARAG SE has been handed responsibility for anti-money laundering activities and for appointing a (Group) anti-money laundering officer for various insurance holding companies in the ARAG Group.

B.8 Any Other Information

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

C. Risk Profile

C.1 Underwriting Risk	55
C.2 Market Risk	56
C.3 Credit Risk	58
C.4 Liquidity Risk	59
C.5 Operational Risk	60
C.6 Other Material Risks	62
C.7 Any Other Information	62

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

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

Based on current assessments, the effects of the COVID-19 pandemic have not resulted in any significant change to the Company's risk profile. Its capacity to assume risk has been maintained in full. In addition to the quarterly risk calculations, this has been demonstrated by regular approximate calculations of own funds and solvency capital requirements that have taken into account the volatile capital markets since March 2020.

Figures for the planning period have been tested using a pandemic scenario with lower premium income and higher claims and costs. The outcome showed that the solvency capital requirement will be sufficiently covered for the next few years.

During the pandemic, the Company has also kept operational risks, such as business interruption risk and cyber risk, well under control. For example, it managed to continue running its operations in their entirety by switching to remote working, which for a time involved almost the whole of the workforce.

The more widespread use of home working could lead to an increase in cyberattacks. These are countered with enhanced IT security measures to prevent heightened risk. Further developments in the COVID-19 pandemic are being regularly analyzed so that further countermeasures can be taken if required.

C.1 Underwriting Risk

Risk exposure

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

- Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the duration of claims settlement and the amount involved
- Catastrophe and accumulation risk: significant uncertainties regarding pricing for extreme or exceptional events that affect multiple policyholders at the same time
- Lapse risk: incidence of customers exiting their contracts early that is above the expected lapse rate

The solvency capital requirement for underwriting risk went up from €135,767 thousand as of December 31, 2019 to €179,546 thousand as of December 31, 2020, an increase of €43,779 thousand or 32.2 percent. This change was due to the rise in accumulation risk and the recalibration of premium risk. The biggest sub-risks were accumulation risk, premium risk, and reserve risk.

Risk measurement

Risks are measured with an internal model. Using a simulation, possible losses and adverse changes in liabilities that could occur within a one-year observation period are forecast. The value of the risk equates to the 99.5 percent quantile, i.e. a negative result that would only be expected every 200 years (1 in 200 year event). Each risk is measured separately. For premium and reserve risk, specified criteria are used to aggregate historical losses into groups of risks sharing similar characteristics. These are then used for simulations of future claims and/or required additions to reserves. Likewise, catastrophe risk and accumulation risk are assessed by simulating potential accumulation losses in the legal insurance business. Lapse risk is calculated on the basis of historical data. The actual underwriting risk arises from the aggregation of the individual risks, taking diversification effects into account.

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

Risk concentration

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

Risk mitigation

The Company uses outward reinsurance treaties in the form of excess of loss treaties as a measure to restrict the risks.

An annual renewal process for reinsurance treaties ensures that this risk mitigation technique remains effective on an ongoing basis.

Risk sensitivity

Various sensitivity analyses were carried out in the reporting period as part of the ORSA process. A baseline scenario for 2021, which reflected the best estimates for actuarial parameters, was produced first. Then the impact of the claims ratio and costs rising by up to 20.0 percentage points was examined. In 2021, the decrease in eligible own funds is greater than the decrease in the solvency capital requirement, meaning that the coverage ratio falls by up to 72.0 percentage points to 218.0 percent. This ratio is still well above the minimum coverage ratio of 150.0 percent specified in the business policy.

In the reporting year, as part of the ORSA process, an analysis was carried out to examine the impact of a pandemic scenario on the Company. Compared with the baseline scenario, the coverage ratio for 2021 in the pandemic scenario falls by 14.0 percentage points to 276.0 percent, which is still well above the minimum coverage ratio of 150.0 percent specified in the business policy.

C.2 Market Risk

Risk exposure

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

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

The solvency capital requirement for market risk went up from €424,558 thousand as of December 31, 2019 to €465,585 thousand as of December 31, 2020, an increase of €41,027 thousand or 9.7 percent. The biggest sub-risks were equity investment risk and credit risk.

Risk measurement

Risks are measured with an internal model. An economic scenario generator is used to simulate capital market scenarios looking at interest rates, share prices, real estate prices, credit spreads, credit ratings/defaults, and exchange rates. These risk factors are used to determine the possible fair values of investments in one year's time. The market risk itself results from the 1 in 200 year event considering all risk factors simultaneously, taking diversification effects into account.

Risk concentration

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

Risk mitigation

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

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

Risk sensitivity

In the reporting year, as part of the ORSA process, an additional analysis was carried out to examine the impact of a pandemic scenario (stagflation scenario) on the capital markets and, by extension, on the investment portfolios of the Company. The capital market parameters used in the baseline scenario were adjusted accordingly. The stagflation scenario describes the potential negative impact of the COVID-19 pandemic on macroeconomic growth over time. Stagnation was the initial assumption for 2020, followed by two years of stagflation, before expansion sets in for the final year of the projection. Compared with the baseline scenario, the coverage ratio for 2021 in the stagflation scenario falls by 14.0 percentage points to 275.0 percent, which is still above the minimum coverage ratio of 150.0 percent specified in the business policy.

C.3 Credit Risk

Risk exposure

While counterparty default risk attaching to investments is determined as part of market risk, counterparty default risk in the insurance business is treated separately. Counterparty default risk in the insurance business largely arises in connection with receivables from reinsurers and receivables from policyholders/insurance brokers. It is the downside risk arising from the unexpected default of counterparties and debtors during the next twelve months.

The solvency capital requirement for credit risk went down from €20,216 thousand as of December 31, 2019 to €20,074 thousand as of December 31, 2020, a fall of €141 thousand or 0.7 percent.

Risk measurement

Risk is measured using the partial internal model and components of the standardized approach. The risk of default on receivables from reinsurers is measured on the basis of the information available and proportionality considerations. The reinsurers' individual credit ratings are explicitly used.

To measure the risk of default on receivables from policyholders and insurance brokers, a constant factor is applied to the fair value of the relevant exposures on the Solvency II balance sheet.

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

Risk concentration

Overall, the exposure to reinsurers is significant. Risk concentrations are avoided because the reinsurance treaties are distributed among multiple reinsurers in accordance with the reinsurance strategy.

Risk mitigation

Default risk in connection with reinsurance treaties is reduced in accordance with the reinsurance strategy, which is reviewed at regular intervals. An annual renewal process for reinsurance treaties ensures that this risk mitigation technique remains effective on an ongoing basis.

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

Risk sensitivity

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

C.4 Liquidity Risk

Risk exposure

Liquidity risk is the risk that insurance companies 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).

Risk measurement

Liquidity risk is measured by calculating the monthly excess liquidity cover or liquidity shortfall on a rolling basis. Liquidity planning is updated regularly so that ARAG has early warning of whether it will require liquidity in the coming months. ALM is used to determine the liquidity requirement over the medium to long term. There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration

A risk concentration could arise if the Company had to simultaneously settle an increased number of liabilities because of disasters or accumulation events. To ensure the Company can always meet its liabilities when due, most investments are made in the 'available-for-sale at short notice' liquidity class. Tight counterparty and issuer limits also restrict the liquidity risk for individual issuers, such that a concentration of liquidity risk is unlikely.

Risk mitigation

The liquidity planning is updated regularly so that liquidity can be managed. The Company thus has early warning of whether it will require liquidity in the coming months. If it becomes apparent that selling securities is also becoming more difficult, the Company responds by increasing the liquidity that it holds as a safety buffer. Further protection is provided by the current investment policy, which stipulates diversification across a broad range of security types and issuers.

A medium- to long-term liquidity summary was prepared as part of ALM.

Risk sensitivity

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

Profits contained in future premiums

The expected profits included in future premiums represent a very illiquid component of basic own funds. These profits are therefore associated with a potential liquidity risk. Even if the expected profits contained in future premiums are not factored into basic own funds, the resulting liquidity risk is still classified as very low because of the significant excess cover. The expected profits included in future premiums amount to €103,337 thousand.

C.5 Operational Risk

Risk exposure

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. It also includes losses from cyber risk. In addition, operational risk encompasses legal risk but does not include reputational risk or risks arising from strategic decisions.

The solvency capital requirement for operational risk went up from €29,598 thousand as of December 31, 2019 to €30,635 thousand as of December 31, 2020, an increase of €1,038 thousand or 3.5 percent.

Risk measurement

The Company uses the standard formula to determine the solvency capital requirement. Measurement for operational purposes is carried out on the basis of two dimensions: probability of occurrence and impact. The probability of occurrence describes the likelihood that an operational risk will materialize within a defined period. The second dimension describes the potential impact of the occurrence of an operational risk and is measured in quantitative or qualitative terms. The gross and net values are recorded for each dimension in this context. The gross values are the values before implementation of possible measures to mitigate the risk; the net values are the values after implementation of the chosen measures. As risks are measured using subjective estimates carried out by experts, a loss event database is used as an additional instrument to help determine the values. This contains data on all loss events that have occurred and their actual impact. Material operational risks are also included in the strategic positioning risk analysis in the ORSA process.

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

Risk concentration

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

Risk mitigation

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

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

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

Risk sensitivity

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

C.6 Other Material Risks

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

Strategic risks

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

Reputational risks

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

Emerging risks

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

C.7 Any Other Information

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

D. Valuation for Solvency Purposes

D.1 Assets	64
D.2 Technical Provisions	82
D.3 Other Liabilities	90
D.4 Alternative Methods for Valuation	100
D.5 Any Other Information	100

The explanation of the valuation methods and their differences starts with a description of valuation under the German Commercial Code (HGB)* followed by a description of valuation for solvency purposes (Solvency II, SII) and then an explanation of any material differences. The SII figures are also compared with the equivalent prior-year figures. The table below provides an overview of the total assets, technical provisions, and other liabilities.

Total assets, technical provisions, and other liabilities

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Assets	3,336,388	2,421,918	914,470	3,217,730	118,657
Technical provisions	1,055,208	1,495,453	-440,246	1,013,720	41,487
Other liabilities	700,767	409,397	291,370	793,287	-92,520
Excess of assets over liabilities**	1,580,413	517,067	1,063,346	1,410,723	169,689

In the reporting period, there were no changes in the valuation bases (including any estimates) described below that are used for the Solvency II balance sheet in respect of assets, technical provisions, and other liabilities, apart from the following exceptions.

After reviewing the application of IFRS 16, ARAG elected not to recognize leasing arrangements in 2020. This led to a change to property, plant & equipment held for own use (D.1.6) and to other financial liabilities (D.3.8) compared with the prior year.

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

* The breakdown of the line items corresponds to that in the SII structure.

** This item also includes the subordinated liabilities classified as own funds.

D.1 Assets

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

Assets as of December 31, 2020

(€'000)

Goodwill

Deferred acquisition costs

Intangible assets

Deferred tax assets

Pension benefit surplus

Property, plant & equipment held for own use

Investments (other than assets held for index-linked and unit-linked contracts)

Property (other than for own use)

Holdings in related undertakings, including participations

Equities

Equities – listed

Equities – unlisted

Bonds

Government bonds

Corporate bonds

Structured notes

Collateralized securities

Collective investment undertakings

Derivatives

Deposits other than cash equivalents

Other investments

Carried forward:

	Solvency II as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	Solvency II as of Dec. 31, 2019	SII change
	0	0	0	0	0
	0	0	0	0	0
	0	4,619	-4,619	0	0
	94,292	0	94,292	121,134	-26,842
	0	0	0	0	0
	51,771	41,588	10,184	141,137	-89,365
	29,091	19,867	9,224	28,831	260
	1,110,084	411,051	699,034	958,665	151,419
	126	126	0	200	-74
	743	719	24	762	-19
	870	846	24	962	-93
	347,354	319,363	27,991	292,441	54,913
	684,874	646,690	38,183	638,657	46,217
	5,472	4,262	1,210	5,420	52
	0	0	0	0	0
	1,037,700	970,316	67,384	936,517	101,182
	672,077	635,260	36,818	695,920	-23,843
	0	0	0	0	0
	26,769	26,769	0	27,469	-700
	4,510	2,334	2,176	6,116	-1,606
	2,881,101	2,066,441	814,660	2,654,481	226,620
	3,027,164	2,112,648	914,516	2,916,752	110,412

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

Assets as of December 31, 2020

(€'000)

Brought forward:

Assets held for index-linked and unit-linked contracts

Loans and mortgages

Loans on policies

Loans and mortgages to individuals

Other loans and mortgages

Reinsurance recoverables from:

Non-life and health similar to non-life

Non-life excluding health

Health similar to non-life

Life and health similar to life, excluding health and index-linked and unit-linked

Health similar to life

Life excluding health and index-linked and unit-linked

Life index-linked and unit-linked

Receivables

Deposits to cedants

Insurance and intermediaries receivables

Reinsurance receivables

Receivables (trade, not insurance)

Other assets

Own shares (held directly)

Amounts due in respect of own fund items or initial fund called up but not yet paid in

Cash and cash equivalents

Any other assets, not elsewhere shown

Total assets

	Solvency II as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	Solvency II as of Dec. 31, 2019	SII change
	3,027,164	2,112,648	914,516	2,916,752	110,412
	0	0	0	0	0
	0	0	0	0	0
	80	80	0	97	-18
	2,775	2,775	0	4,115	-1,340
	2,855	2,855	0	4,212	-1,358
	600	659	-59	575	25
	0	0	0	0	0
	600	659	-59	575	25
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	600	659	-59	575	25
	64,521	64,508	13	60,678	3,843
	49,622	49,622	0	55,146	-5,524
	52,462	52,462	0	50,332	2,130
	41,322	41,322	0	38,686	2,635
	207,926	207,914	13	204,842	3,084
	0	0	0	0	0
	0	0	0	0	0
	90,845	90,845	0	85,167	5,678
	6,998	6,998	0	6,182	816
	97,843	97,843	0	91,349	6,494
	3,336,388	2,421,918	914,470	3,217,730	118,657

D.1.1 Goodwill

Acquired goodwill is recognized under HGB, but not for Solvency II purposes.

As of the reporting date, no goodwill was recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.1.2 Deferred acquisition costs

As of the reporting date, no deferred acquisition costs were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.1.3 Intangible assets

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	0	4,619	- 4,619	0	0

Intangible assets consist of purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets.

In the HGB financial statements, intangible assets are recognized at cost and reduced at the applicable rate of amortization on a straight-line basis. As of December 31, 2020, their carrying amount was €4,619 thousand.

Intangible assets were not recognized on the Solvency II balance sheet as of December 31, 2020, nor as of the prior-year reporting date, in accordance with article 12 (2) of the Delegated Regulation.

Due to intangible assets not being included for solvency purposes, the Solvency II valuation was €4,619 thousand lower than the carrying amount on the HGB balance sheet.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.4 Deferred tax assets

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	94,292	0	94,292	121,134	- 26,842

In application of the option available under section 274 (1) sentence 2 HGB, the excess deferred tax assets after netting are not recognized under HGB and differ from the amount reported on the Solvency II balance sheet. If differences arise between the carrying amounts on the Solvency II balance sheet and those in the tax base and these

differences are expected to reverse in subsequent years, deferred taxes are recognized on the Solvency II balance sheet in respect of these differences using separate entity-specific tax rates determined according to the country in which the registered office of the permanent establishment/branch concerned is situated. 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 will only reverse in the event of any liquidation. For the HGB provisions that do not affect the tax base, no adjustment of the tax figure is made in the year-end closing procedures for Solvency II. Neither the proportionality nor materiality of any differences are examined further. Deferred tax assets and liabilities are not shown on a net basis.

For the purpose of recognition on the Solvency II balance sheet, the effects of the reversal of the differences between the Solvency II balance sheet and the tax base are reviewed in terms of their impact on the basis of tax assessment. Differences that would not be accompanied by sufficient taxable income at the time of reversal or would not be offset by countervailing effects in deferred taxes are not recognized. Loss carryforwards are not included when determining deferred taxes. Future tax expense resulting from the reversal effects is always recognized.

If applicable, deferred taxes from tax group subsidiaries (companies controlled by the parent company and/or with which a profit-and-loss transfer agreement has been concluded) are recognized by the parent company because the income of the tax group is aggregated for tax purposes and taxed overall at the level of the parent company. Deferred tax assets are not discounted. Deferred tax assets of €44,969 thousand were transferred from subsidiaries (2019: €45,360 thousand).

The deferred tax assets on the Solvency II balance sheet are deemed to be recoverable. This is because the deferred tax liabilities predominate on the Solvency II balance sheet and an analysis of the timing of the reversal effects demonstrates that the time until reversal of the deferred tax expense is shorter than the time until reversal of the deferred tax benefit. The expense thus materializes earlier than the benefit.

The calculation of deferred taxes takes into account applicable tax legislation and tax rates in those countries in which ARAG SE maintains permanent establishments/branches. The tax rates are as follows:

• ARAG SE headquarters	31.3 percent
• Austria Branch	25.0 percent
• Belgium Branch	25.0 percent
• Greece Branch	24.0 percent
• Italy Branch	30.8 percent
• Netherlands Branch	21.7 percent
• Portugal Branch	22.5 percent
• Slovenia Branch	19.0 percent
• Spain Branch	25.0 percent
• UK Branch	19.0 percent

The main components of the total deferred tax assets of €94,292 thousand were as follows: €37,102 thousand arising from the tax group formed with ARAG Allgemeine and Interlloyd and €7,867 thousand from defined benefit obligations that had to be valued at a higher level under regulatory requirements (International Accounting Standard [IAS] 19).

The disapplication of IFRS 16 and the resulting decrease in deferred tax assets under the item 'property, plant & equipment held for own use' (D.1.6) reduced deferred tax assets by a total of €27,971 thousand and were the main factors in their decline.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.5 Pension benefit surplus

As of the reporting date, no pension benefit surpluses were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.1.6 Property, plant & equipment held for own use

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	51,771	41,588	10,184	141,137	- 89,365

Real estate (property) held for own use is valued at cost less depreciation under HGB. If its value is permanently impaired, it is written down to the lower of fair value or depreciated cost. If the reason for the impairment later ceases to apply, the write-down is reversed to the depreciated value of the asset. Land and buildings are categorized as being held for own use or rented out to third parties according to actual usage. For this purpose, a uniform carrying amount is classified according to primary usage. Fair values are used for Solvency II purposes. The value of the land is based on the prevailing standard land values. The value of the buildings is calculated using the income capitalization approach. For HGB purposes, the value of property, plant & equipment held for own use was determined to be €41,588 thousand.

Plant and equipment held for own use is recognized at cost on the HGB balance sheet and subsequently depreciated on a straight-line basis over the standard operating useful life. Low-value assets purchased in the reporting year are written off in full in accordance with the regulations. The treatment of plant and equipment held for own use for solvency purposes is no different from its treatment under HGB for reasons of materiality, low risk, and the disproportionate time, effort, and expense that would otherwise be involved.

The year-on-year decline of €89,365 thousand resulted from the outcome of the review into the applicability of IFRS 16 in connection with leasing arrangements. In application of the option available under IFRS 16, ARAG SE elected not to recognize right-of-use assets arising from leasing arrangements in 2020 (see also D.3.8 'Financial liabilities other than debts owed to credit institutions').

There were no other changes in the stated recognition and valuation methods compared with the previous year for the items under property, plant & equipment held for own use.

D.1.7 Property (other than for own use)

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	29,091	19,867	9,224	28,831	260

Under HGB, property, i.e. real estate, (other than for own use), is valued at cost less straight-line depreciation. Depreciation is recognized at the rates permitted for tax purposes. If the value of property (other than for own use) is permanently impaired, it is written down to the lower of fair value or depreciated cost. If the reason for the impairment ceases to apply, the write-down is reversed to the depreciated value of the asset. As of the reporting date, the Company held land and buildings assets on its HGB balance sheet with a carrying amount of €19,867 thousand.

Fair values are used for Solvency II purposes. The economic values are revised annually by means of an internal assessment that takes the form of an update to the most recent external appraisal. The internal valuations are augmented by external appraisals at intervals of between three and five years. In the event of a change in the portfolio, the valuation is carried out on the basis of an external appraisal. The value of the land is based on the prevailing standard land values. The value of the buildings is calculated using the income capitalization approach. This method discounts the expected future rental income less the likely management costs to the balance sheet date. The fair value of €29,091 thousand was the sum of the value of the land and the value of the buildings. In the HGB financial statements, land and buildings are not separately categorized as held for own use or rented out to third parties. For Solvency II purposes, land and buildings are categorized as either held for own use or rented out to third parties based on the information provided in the notes to the HGB financial statements.

The valuation difference between the Solvency II balance sheet and the HGB financial statements amounted to €9,224 thousand and arose because the historical cost convention was applied in the valuation under HGB, whereas the higher unrealized fair values were recognized on the Solvency II balance sheet. The year-on-year increase of €260 thousand in fair value as of the reporting date was mainly attributable to valuation reports prepared as of this date.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.8 Holdings in related undertakings, including participations

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	1,110,084	411,051	699,034	958,665	151,419

Shares in affiliated companies (related undertakings), including equity investments (participations), were valued at cost in accordance with HGB in the reporting year. Where necessary, they were written down to their fair value. Write-downs are reversed to no more than the historical cost if the reason for recognizing them ceases to apply.

The fair value is determined using an income capitalization approach based on a planning horizon of usually three years. The Company's material affiliated companies and equity investments as of December 31, 2020 are listed in chapter A.1.2. They primarily comprise the equity investments in ARAG Krankenversicherungs-AG (ARAG Health), Munich, with a carrying amount of €67,946 thousand (December 31, 2019: €67,946 thousand), ARAG Allgemeine Versicherungs-AG (ARAG Allgemeine), Düsseldorf, with a carrying amount of €73,264 thousand (December 31, 2019: €73,264 thousand), ARAG International Holding GmbH, Düsseldorf, with a carrying amount of €108,073 thousand (December 31, 2019: €56,059 thousand), ARAG Scandinavia AS, Oslo, Norway, with a carrying amount of €30,339 thousand (December 31, 2019: €30,339 thousand), and ALIN 1 GmbH & Co. KG, Düsseldorf, with a carrying amount of €54,831 thousand (December 31, 2019: €40,621 thousand).

Under HGB, reversals of write-downs in an amount of €52,014 thousand were necessary in respect of affiliated companies or equity investments in the year under review.

The method used to value subsidiaries and equity investments for solvency purposes depends on their type. Insurance subsidiaries, intermediate holding companies, and insurance operating companies are valued on the basis of the pro rata excess of the assets over the liabilities of the subsidiary (net asset value [NAV]) as recognized on its Solvency II balance sheet. The valuation of the assets and liabilities on a subsidiary's Solvency II balance sheet is based on the valuation rules for solvency purposes. At the first valuation level, other subsidiaries are valued at quoted market prices. If no quoted market prices are available, the insurance subsidiary's own funds under Solvency II are recognized on a pro rata basis in the second valuation level.

The carrying amount at cost on the HGB balance sheet was €699,034 thousand lower than the fair value on the Solvency II balance sheet because of the different valuation methods described above.

The €151,419 thousand increase in the Solvency II carrying amount compared with December 31, 2019 was due, above all, to the increase in the excess of assets over liabilities (NAV) of ARAG Krankenversicherungs-AG (rise in value: €83,149 thousand), ARAG International Holding GmbH (rise in value: €21,657 thousand), and ALIN 1 GmbH & Co. KG (rise in value: €15,003 thousand).

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.9 Equities

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Equities – listed	126	126	0	200	-74
Equities – unlisted	743	719	24	762	-19
Total	870	846	24	962	-93

Equities that, overall, are not intended for permanent use in insurance operations are valued at the lower of their cost or quoted market price or market value as of the balance sheet date. This applies even if the quoted market price or market value is only temporarily lower than the cost.

For solvency purposes, equities are valued at their quoted market price or market value. If this price/value is not available, the value is estimated using a valuation model. If the necessary information for a premium on the security or on the issuer is not available, it is determined – where available – on the basis of the investment's credit rating; otherwise, the credit rating of the issuer or the sector is used. The fair value of private equity and infrastructure investments is determined by the NAV published by the investment management company. Write-downs of €74 thousand were recognized in the reporting year (2019: €0 thousand). No reversals of write-downs were carried out in 2020.

For solvency purposes, the NAV reported by the investment management company is recognized as the economic value, even if it is higher than the cost. The differences in the valuation rules resulted in a valuation difference of €24 thousand for unlisted equities as of December 31, 2020. The decrease of €93 thousand in the latest Solvency II value compared with the equivalent value as of December 31, 2019 was entirely attributable to changes in the value of the equities as of December 31, 2020. There were no changes to the holdings of equities in 2020.

There were no changes in the recognition and valuation methods compared with the previous year.

D.1.10 Bonds

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Government bonds	347,354	319,363	27,991	292,441	54,913
Corporate bonds	684,874	646,690	38,183	638,657	46,217
Structured notes	5,472	4,262	1,210	5,420	52
Collateralized securities	0	0	0	0	0
Total	1,037,700	970,316	67,384	963,517	101,182

Bonds that, overall, are not intended for permanent use in insurance operations are valued under HGB at the lower of their cost or quoted market price or market value as of the balance sheet date. This applies even if the quoted market price or market value is only temporarily lower than the cost.

Registered bonds are accounted for at their nominal or redemption amount. Discounts are deferred using the straight-line method. Premiums are treated as a prepaid expense and recognized in income using the straight-line method over the term to maturity.

The economic values of interest-bearing financial instruments are calculated for solvency purposes at the quoted market price or market value that contains the accrued interest income as of the valuation date. Premiums and discounts are not recognized separately.

Compared with recognition under HGB, the valuation of bonds in accordance with the rules described above has resulted in valuation reserves of €67,384 thousand (December 31, 2019: €54,018 thousand) that have not yet been realized. The year-on-year increase of €101,182 thousand in the Solvency II carrying amount was mainly attributable to the expansion of the portfolio of government and corporate bonds.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.11 Collective investment undertakings

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Equities	159,209	147,593	11,616	210,476	-51,268
Bonds	482,528	457,881	24,648	462,806	19,723
Other	30,340	29,786	554	22,638	7,702
Total	672,077	635,260	36,818	695,920	-23,843

Collective investment undertakings that have not been classified as permanent fixed assets are, under HGB, valued in application of the strict principle of lower of cost or market value. A collective investment undertaking must be written down to its quoted market

price if this price falls below the previous carrying amount. The write-down is required even if the market value recovers after the reporting date (including up to the time when the financial statements are prepared). If market prices rise again, write-downs are reversed on the subsequent balance sheet date to no more than the historical cost.

If investment fund shares/units are classified for permanent use in business operations, short-term fluctuations in the market price do not result in changes to the carrying amount. Where permanent impairment has occurred, the long-term values of the share/unit prices are calculated. The criteria for triggering a write-down requirement cannot be applied to the fund as a whole in order to determine whether the share/unit prices are permanently impaired. The permanence of the changes in value of each constituent asset of the investment fund must therefore be assessed individually. To this end, the market values of the individual securities can be compared with plausible benchmarks and used for valuation purposes.

As of the reporting date, the carrying amount of collective investment undertakings under HGB was €635,260 thousand. Institutional funds that have been classified for permanent use in business operations are valued with the application of the discretionary principle of lower of cost or market value. Reversals of write-downs were recognized in an amount of €7,676 thousand in 2020 (2019: €15,610 thousand).

For solvency purposes, the redemption price determined by the investment management company for the investment fund units/shares is used to determine the economic value. This value is not restricted to the cost. Investment funds are generally classified as collective investment undertakings in accordance with article 1 (2) of Directive 2009/65/EC or as alternative investment funds in accordance with article 4 (1) of Directive 2011/61/EU. In accordance with the Delegated Regulation, collective investment undertakings in which the stake held is more than 20.0 percent are reported under the line item 'Holdings in related undertakings, including participations'. If the stake in investment companies or other incorporated entities is no more than 20.0 percent, it is recognized under 'Unlisted equities'. If the stake cannot be assigned to either of these items, it is recognized under 'Other investments'.

As of December 31, 2020, the Solvency II carrying amount for collective investment undertakings was €672,077 thousand. The valuation under HGB rules as a result of the historical cost convention and the realization principle mean that the valuation for solvency purposes was €36,818 thousand higher as of December 31, 2020 and that this difference has not yet been realized. The year-on-year decrease of €23,843 thousand in the Solvency II carrying amount was mainly attributable to disposals of equity holdings.

There were no changes in the recognition and valuation methods compared with the previous year.

D.1.12 Derivatives

As of the reporting date, no direct investments in derivatives were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.1.13 Deposits other than cash equivalents

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	26,769	26,769	0	27,469	- 700

Deposits other than cash equivalents primarily comprise bank deposits (call and term deposits) that have a corresponding contractual maturity. As short-term investments, these are valued at the nominal amount under HGB because this can be considered a reliable proxy of the fair value in application of the principle of proportionality.

As a result, the value under HGB and the value for solvency purposes are the same. The Solvency II carrying amount went down by €700 thousand year on year, which was entirely attributable to portfolio changes.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.14 Other investments

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	4,510	2,334	2,176	6,116	- 1,606

Other investments are valued at cost, in some cases reduced by write-downs to the lower fair value. This fair value is determined by the market value published by the investment management company. Write-downs of €210 thousand were recognized in the reporting year (2019: €0 thousand). No reversals of write-downs were required in 2020.

For solvency purposes, the market value reported by the investment management company is recognized as the economic value, even if it is higher than the cost.

As a result of unrealized valuation reserves, the Solvency II carrying amount as of December 31, 2020 was €2,176 thousand higher than the HGB carrying amount. The year-on-year decline of €1,606 thousand in the Solvency II carrying amount was attributable to the €437 thousand contraction of the portfolio of private equity and infrastructure investments and the €1,169 thousand decrease in the portfolio's value.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.15 Assets held for index-linked and unit-linked contracts

As of the reporting date, no assets held for index-linked and unit-linked contracts were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.1.16 Loans and mortgages

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Loans on policies	0	0	0	0	0
Loans and mortgages to individuals	80	80	0	97	-18
Other loans and mortgages	2,775	2,775	0	4,115	-1,340
Total	2,855	2,855	0	4,212	-1,358

Loans and mortgages in the form of promissory notes, loans and receivables secured by mortgages or land charges, loans, and sundry lending items are recognized at cost unless permanently impaired. In this case, they are written down to their fair value. If the reasons for the write-down cease to apply, it is reversed to no more than the cost.

For reasons of materiality and because of the low risk, no present value calculations were carried out in the year under review, as had also been the case in 2019. Instead, HGB carrying amounts were also used for Solvency II purposes.

The year-on-year decrease of €1,358 thousand in the Solvency II carrying amount was mainly attributable to the repayment of a loan.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.17 Reinsurance recoverables

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Non-life and health similar to non-life	600	659	- 59	575	25
Total	600	659	- 59	575	25

On the HGB balance sheet, the reinsurers' share of technical provisions is deducted from the provision for unearned premiums and the provision for outstanding claims. The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements. The proportions of the provision for outstanding claims relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties. Reinsurance in the form of an excess-of-loss treaty has been taken out in connection with special criminal-case legal insurance and financial-loss legal insurance in Germany. ARAG SE also has reinsurance to cover accumulation loss arising from the travel insurance it provides in the Spanish market; this is also in the form of an excess-of-loss treaty. The bulk of travel accident and travel liability risks in connection with insurance provided in Spain are re-insured through quota-share reinsurance treaties.

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

Applying the aforementioned valuation methods, the carrying amount on the Solvency II balance sheet as of December 31, 2020 was €59 thousand lower than the HGB carrying amount. The year-on-year increase of €25 thousand in the Solvency II carrying amount was attributable to ongoing business operations.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.18 Receivables

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Deposits to cedants	64,521	64,508	13	60,678	3,843
Insurance and intermediaries receivables	49,622	49,622	0	55,146	-5,524
Reinsurance receivables	52,462	52,462	0	50,332	2,130
Receivables (trade, not insurance)	41,322	41,322	0	38,686	2,635
Total	207,926	207,914	13	204,842	3,084

Deposits to cedants are recognized at their nominal amount, which equates to their cost. As these deposits are largely repayable within twelve months, they are not discounted. The nominal amount is therefore generally used as the economic value. Taking into account minor currency differences, there are no valuation differences because the nominal amount is used as the economic value. The year-on-year rise of €3,843 thousand in the Solvency II carrying amount was mainly due to the greater volume of inward reinsurance business in the branches in Italy and Spain.

There were no changes in the stated recognition and valuation methods used for deposits to cedants compared with the previous year.

Insurance* and intermediaries receivables are generally recognized at their nominal amount (€49,662 thousand). A general allowance for latent credit risk is deducted from insurance receivables after specific allowances have been recognized on a collective basis.

Insurance receivables past due are valued at the average historical recovery rate. In the case of intermediaries receivables, the HGB carrying amount is also reduced by appropriate specific and general allowances in the amount of the assumed level of defaults. There is no active market for insurance and intermediaries receivables. The Company's written-down receivables, which are reported at their nominal amounts, are thus valued at the amount at which they could be exchanged in an arm's-length transaction between knowledgeable, willing parties. In particular because of the short-term nature of the receivables (less than twelve months) and the fact that counterparty default risk is taken into account (in the form of write-downs), the nominal amounts that are recognized are suitable proxies for the economic values. Due to this use of the nominal amount (€49,662 thousand) as the economic value, there are no valuation differences.

The year-on-year decrease of €5,524 thousand in the Solvency II carrying amount was mainly due to the change in volume.

* Insurance receivables for the most part refer to receivables due from policyholders.

There were no changes in the stated recognition and valuation methods used for insurance and intermediaries receivables compared with the previous year.

Reinsurance receivables are recognized at the nominal amount of the outstanding balances. In the event of actual default risk relating to rating downgrades, specific allowances are recognized in the amount that is no longer likely to be recovered.

On grounds of materiality, the carrying amount (nominal amount) can be used for receivables maturing within twelve months. If the maturity period of the receivables is longer (more than twelve months), the economic value is determined using the present value method. In the case of a reinsurance arrangement that is long term but renewed annually and under which the deposits are regularly settled at the end of each year and reissued, the formal term of the treaty is taken to be the payment term. In the event of actual default risk relating to rating downgrades, specific allowances are recognized in the amount that is no longer likely to be recovered. None of ARAG SE's reinsurance treaties have terms longer than twelve months, so the economic value is the same as the nominal amount.

The year-on-year rise of €2,130 thousand in the Solvency II carrying amount was mainly due to the cash flows in inward reinsurance business during the fourth quarter of 2020 and the associated reinsurance settlement balances at the headquarters in Germany and at the branches in Spain, Italy, and the Netherlands.

There were no changes in the stated recognition and valuation methods used for reinsurance receivables compared with the previous year.

Receivables (trade, not insurance) are generally recognized at their nominal amount. In the event of actual default risk relating to rating downgrades, specific allowances are recognized in the amount that is no longer likely to be recovered. Receivables (trade, not insurance) amounted to €41,322 thousand and predominantly consisted of tax assets (€26,530 thousand).

The Company's written-down receivables (trade, not insurance), for which the nominal amounts are reported as the economic value, are thus valued at the amount at which they could be exchanged in an arm's-length transaction between knowledgeable, willing parties. With the exception of some tax assets, these receivables were mostly classified as current (due within twelve months).

Due to use of the nominal amounts as the economic value, there were no valuation differences. The year-on-year increase of €2,635 thousand in the Solvency II carrying amount was mainly attributable to a rise in tax assets.

There were no changes in the stated recognition and valuation methods used for receivables (trade, not insurance) compared with the previous year.

D.1.19 Own shares (held directly)

As of the reporting date, no own shares (held directly) were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.1.20 Amounts due in respect of own fund items or initial fund called up but not yet paid in

As of the reporting date, no amounts due in respect of own fund items or initial fund called up but not yet paid in were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.1.21 Cash and cash equivalents

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	90,845	90,845	0	85,167	5,678

Cash and cash equivalents (cash and demand deposits) are recognized at their nominal amount, which equates to their cost. Due to use of the nominal amount as the economic value, there are no valuation differences.

The year-on-year increase of €5,678 thousand in the Solvency II carrying amount was entirely attributable to the rise in the volume for this item in the reporting year and as of the balance sheet date.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.1.22 Any other assets, not elsewhere shown

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	6,998	6,998	0	6,182	816

Any other assets, not elsewhere shown are recognized at their nominal amount, which equates to their cost.

The nominal amount is used as the economic value for this item too, which means there are no valuation differences. The year-on-year increase of €816 thousand in the Solvency II carrying amount was attributable to inventory differences compared with the end of 2019.

There were no changes in the stated recognition and valuation methods compared with the previous year.

Please refer to chapter A.4 of this report for disclosures relating to **leases**.

D.2 Technical Provisions

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

Technical provisions as of December 31, 2020

(€'000)

Technical provisions – non-life

Technical provisions – non-life (excluding health)

Technical provisions calculated as a whole

Best estimate

Risk margin

Technical provisions – health (similar to non-life)

Technical provisions calculated as a whole

Best estimate

Risk margin

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

Technical provisions – health (similar to life)

Technical provisions calculated as a whole

Best estimate

Risk margin

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

Technical provisions calculated as a whole

Best estimate

Risk margin

Technical provisions – index-linked and unit-linked

Technical provisions calculated as a whole

Best estimate

Risk margin

Other technical provisions

Total provisions

	Solvency II as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	Solvency II as of Dec. 31, 2019	SII change
	0	1,431,450	-1,431,450	0	0
	1,021,175	0	1,021,175	986,585	34,589
	34,033	0	34,033	27,135	6,898
	1,055,208	1,431,450	-376,242	1,013,720	41,487
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	1,055,208	1,431,450	-376,242	1,013,720	41,487
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	1,055,208	1,431,450	-376,242	1,013,720	41,487
	0	64,003	-64,003	0	0
	1,055,208	1,495,453	-440,246	1,013,720	41,487

D.2.1 Technical provisions

Technical provisions are reported differently on the Solvency II balance sheet. A summary of the valuation in accordance with HGB requirements is therefore provided as an aid to understanding. The Solvency II valuation methods are then described in detail in accordance with the Solvency II structure (D.2.2 'Technical provisions – non-life (excluding health)').

As of the reporting date, the technical provisions in accordance with HGB amounted to €1,494,765 thousand. In addition to unearned premiums (gross) of €206,561 thousand, the HGB technical provisions included the provision for outstanding claims (gross) of €1,224,230 thousand, the equalization provision of €63,033 thousand, and the miscellaneous technical provisions of €970 thousand.

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

The provision for outstanding claims in relation to direct insurance business is recognized separately by event year for claims reported in the financial year concerned and for claims that have occurred up to the balance sheet date but have not yet been reported. A provision for claim settlement expenses is also recognized. These provisions are valued in accordance with prudent business practice, taking into account the ongoing need to satisfy the obligations under insurance contracts. Valuation is based on values as of the balance sheet date. The provisions are not discounted. The results from the group-based and individual valuations are reviewed on a portfolio basis using actuarial methods.

The 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.

D.2.2 Technical provisions – non-life (excluding health)

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Technical provisions calculated as a whole	0	1,431,450	-1,431,450	0	0
Best estimate	1,021,175	0	1,021,175	986,585	34,589
Risk margin	34,033	0	34,033	27,135	6,898
Total	1,055,208	1,431,450	-376,242	1,013,720	41,487

The individual components of the technical provisions are:

1. Best estimate
 - a) Claims provision
 - b) Premiums provision
2. Risk margin
 1. For non-life insurance, the best estimate comprises two components:
 - a) The claims provision is calculated for each homogeneous risk group of ARAG SE. It contains expected claim payments and claim settlement costs that are necessary for the settlement of claims already incurred. The claims reserve is valued using the standard actuarial reserving methods used in the market: the chain-ladder method, the additive method based on accident-year-independent growth of the claims ratio (AUSQZ), and the Bornhuetter-Ferguson method. Alternative reserving methods may be used in exceptional cases, for example if all three of these methods produce implausible results. The New York method is used to value the claim settlement provision.
 - b) The premiums provision is made up of the provision for premiums written but not yet earned and the expected future profit or loss from in-force policies. The provision for premiums written but not yet earned is recognized in the amount of the present values of the expected claim payments and costs relating to the relevant policies. The expected profit or loss is determined for the outstanding premium income from in-force policies (installment payments and premiums from multi-year policies).
 2. Pursuant to article 37 of the Delegated Regulation, the risk margin is calculated with the aid of an approximation method as described in article 58 of the Delegated Regulation. In addition, there were no changes in the stated recognition and valuation methods compared with the previous year.

D.2.3 Technical provisions – health (similar to non-life)

As of the reporting date, no technical provisions for health insurance (similar to non-life) were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.2.4 Technical provisions – health (similar to life)

As of the reporting date, no technical provisions for health insurance (similar to life) were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.2.5 Technical provisions – life (excluding health and index-linked and unit-linked)

As of the reporting date, no technical provisions for life insurance (excluding health and index-linked and unit-linked) were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.2.6 Technical provisions – index-linked and unit-linked

As of the reporting date, no technical provisions for index-linked and unit-linked insurance were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.2.7 Other technical provisions

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	0	64,003	- 64,003	0	0

The other technical provisions* (miscellaneous technical provisions on the HGB balance sheet) primarily consist of the equalization provision (€63,033 thousand). The equalization provision for direct insurance business and inward reinsurance business is recognized as additional actuarial reserves that can be used to offset fluctuations in the course of business.

The calculation is carried out separately for the direct insurance business and for the inward reinsurance business, in each case broken down by class of insurance. These provisions are valued in accordance with the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

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

As the Solvency II balance sheet is a static overview, no items to smooth out future fluctuations in the course of business are recognized under other technical provisions (the equivalent line item). For Solvency II purposes, lapse risk is already included in the best estimate item under technical provisions – non-life. Accordingly, there is no requirement to explain the year-on-year change here.

In addition, there were no changes in the stated recognition and valuation methods compared with the previous year.

* In accordance with the Solvency II structure

D.2.8 Reinsurance recoverables

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Non-life and health similar to non-life	600	659	- 59	575	25
Total	600	659	- 59	575	25

Reinsurance recoverables are the reinsurers' share of the technical provisions. In the case of outward reinsurance business, this means that the figure for reinsurance recoverables equates to the reinsurers' share of the provisions for direct insurance business. Reinsurance cover encompasses liability peaks from individual risks, as needed.

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

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

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

In addition, there were no changes in the stated recognition and valuation methods compared with the previous year.

On the Solvency II balance sheet, reinsurance recoverables are reported under assets (see chapter D.1.17).

Reinsurance recoverables are of no material significance to ARAG SE.

D.2.9 Provisions assumptions

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

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

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

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

There were no changes in the recognition and valuation methods compared with the previous year.

D.3 Other Liabilities

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

Other liabilities as of December 31, 2020

(€'000)

Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance and intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in basic own funds
Subordinated liabilities in basic own funds
Any other liabilities, not elsewhere shown
Total liabilities

	Solvency II as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	Solvency II as of Dec. 31, 2019	SII change
	0	0	0	0	0
	80,485	78,632	1,853	78,885	1,600
	261,966	204,356	57,610	253,948	8,019
	60	60	0	165	-105
	235,603	6,475	229,128	251,679	-16,076
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	88,911	-88,911
	39,321	39,321	0	37,405	1,916
	2,941	2,941	0	2,764	177
	47,365	47,365	0	46,200	1,166
	0	0	0	0	0
	32,779	30,000	2,779	32,921	-141
	32,779	30,000	2,779	32,921	-141
	246	246	0	410	-163
	700,767	409,397	291,370	793,287	-92,520

D.3.1 Contingent liabilities

As of the reporting date, no contingent liabilities were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.3.2 Provisions other than technical provisions

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	80,485	78,632	1,853	78,885	1,600

Under HGB, the provisions other than technical provisions are generally recognized in the amount that is necessary according to prudent business practice. If the liability's settlement period is more than twelve months, they are discounted.

The provisions other than technical provisions mainly related to outstanding employee remuneration (€19,011 thousand), outstanding commission payments (€16,732 thousand), provisions for outstanding invoices (€6,210 thousand), early retirement and pre-retirement part-time employment obligations (€4,627 thousand), provisions for long-service awards (€3,756 thousand), severance payments* (Austria and Slovenia) (€3,357 thousand), and costs for the financial statements audit and tax audit (€1,744 thousand).

The main valuation assumptions that require an explanation concern long-service awards and early retirement obligations:

The provisions for long-service awards are calculated in accordance with the projected unit credit (PUC) method. The discount rate used in this method is 1.6 percent in accordance with the German Regulation on the Discounting of Provisions (RückAbzinsV). The calculations are also based on future salary increases of 2.5 percent per year, staff turnover of 1.5 percent per year, and the 2018 G mortality tables published by Professor Klaus Heubeck.

The provision for early retirement benefits is calculated in accordance with actuarial principles, likewise on the basis of the above-mentioned 2018 G mortality tables published by Professor Klaus Heubeck, applying a discount rate of 1.6 percent and future salary increases of 2.5 percent per year. The calculation is based on the Company's possible use of the provision for early retirement benefits in connection with individual contractual agreements.

* A severance payment is a one-off payment made when an employment contract ends.

The provisions other than technical provisions are recognized in the amount that is necessary according to prudent business practice and equating to the estimated utilization. Their residual maturity is generally less than one year.

For solvency purposes, provisions for long-service awards, early retirement obligations, and pre-retirement part-time employment obligations are valued using the PUC method as required by IAS 19. The discount rate is determined on the basis of the yields achieved for senior industrial bonds on the balance sheet date. Expected growth in income (2.5 percent) and the Company's projections for staff turnover (1.5 percent) are taken into account. The amount calculated in this way equates to the economic value.

The provisions other than technical provisions are valued on the basis of the best estimate of the expected settlement amount. The residual maturity for all sundry other provisions is generally less than one year. On grounds of materiality, they were not discounted.

The economic value of the provisions for long-service awards, early retirement obligations, and pre-retirement part-time employment obligations exceeded the HGB value by €1,853 thousand. All other items were recognized on the Solvency II balance sheet with their HGB carrying amounts.

The year-on-year increase of €1,600 thousand in the Solvency II carrying amount was largely attributable to the regular additions to the pension entitlements and the budgeted rise in employees' years of service over time.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.3.3 Pension benefit obligations

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	261,966	204,356	57,610	253,948	8,019

The pension benefit obligations were calculated using the PUC method on the basis of the 2018 G mortality tables published by Professor Klaus Heubeck. In addition to current circumstances, future trends in salaries, pensions, and staff turnover are taken into account. The discount rate used for the HGB valuation was the average interest rate for the past ten years published by the Bundesbank for an assumed residual maturity of 15 years. A discount rate of 2.3 percent was applied for the valuation as of December 31, 2020 (December 31, 2019: 2.71 percent). The following actuarial parameters were used to calculate the obligations: earliest possible age under the German Pension Age Reform Act (RVAGAnpG) of 63 years, annual increase in salaries of 2.5 percent, annual increase in pension benefits of 1.75 percent (for Spain, 2.5 percent). The level of staff turnover taken into account reflects the generally observable age-dependent average for the industry and has only a minor impact on the settlement value.

For the Solvency II balance sheet, pension benefit obligations are valued using the PUC method in accordance with an IAS 19 curve. The term structure used for discounting is determined on the basis of the yields achieved for senior industrial bonds on the balance sheet date. Expected growth in income (2.5 percent), rising pension benefits (1.75 percent), and the Company's projections for staff turnover (1.5 percent) are taken into account. The amount calculated in this way equates to the economic value in accordance with VAG. As of the reporting date, the amount was calculated at €261,966 thousand.

A valuation difference of €57,610 thousand arose as a result of the differing valuation methods, in particular the different discount rates used. The year-on-year increase of €8,019 thousand in the Solvency II carrying amount was attributable to the regular additions to the pension entitlements and the changes in the discounting of pension benefit obligations.

There were no changes in the recognition and valuation methods compared with the previous year.

D.3.4 Deposits from reinsurers

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	60	60	0	165	- 105

Deposits received from reinsurers are recognized at their repayment amount on the HGB balance sheet. The economic value of those maturing within twelve months is based on the nominal amount. If the maturity period is longer (more than twelve months), the economic value is determined using the present value method.

There were no valuation differences between the Solvency II balance sheet and the HGB balance sheet because the maturity period did not exceed twelve months. The year-on-year decrease of €105 thousand in the Solvency II carrying amount was mainly caused by a contractual adjustment of the deposits from reinsurers at the Spain Branch.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.3.5 Deferred tax liabilities

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	235,603	6,475	229,128	251,679	- 16,076

Deferred tax liabilities arise in connection with differences between the reported carrying amounts in the financial statements in accordance with HGB and those in the tax base, where these differences are expected to reverse in subsequent years resulting in a future tax expense overall. These liabilities are recognized on the balance sheet in the amount of any excess deferred tax liability after netting with deferred tax assets.

The Company thus reported a deferred tax liability of €6,475 thousand on its HGB balance sheet.

If differences arise between the carrying amounts on the Solvency II balance sheet and those in the tax base and these differences are expected to reverse in subsequent years, deferred taxes are recognized on the Solvency II balance sheet in respect of these differences using separate entity-specific tax rates* (determined according to the country in which the registered office of the permanent establishment/branch concerned is situated). 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 will only reverse in the event of any liquidation. For the purpose of recognition on the Solvency II balance sheet, the effects of the reversal of the differences between the Solvency II balance sheet and the tax base are reviewed in terms of their impact on the basis of tax assessment.

* Details of tax rates can be found in chapter D.1.4 of this report.

If applicable, deferred taxes from tax group subsidiaries (companies controlled by the parent company and/or with which a profit-and-loss transfer agreement has been concluded) are recognized by the parent company because the income of the tax group is aggregated for tax purposes and taxed overall at the level of the parent company.

Of this income, €74,373 thousand was transferred to the Company from subsidiaries. Deferred tax liabilities are not discounted.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.3.6 Derivatives

As of the reporting date, no direct investments in derivatives were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.3.7 Debts owed to credit institutions

As of the reporting date, no debts owed to credit institutions were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

D.3.8 Financial liabilities other than debts owed to credit institutions

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	0	0	0	88,911	-88,911

No financial liabilities other than debts owed to credit institutions are recognized under HGB at ARAG SE. After reviewing the applicability of IFRS 16, ARAG elected not to recognize leasing arrangements in 2020.

The change in the recognition and valuation method resulted in a year-on-year decrease of €88,911 thousand that was attributable to the fact that right-of-use assets were no longer recognized (see also D.1.6 'Property, plant & equipment held for own use').

There were fundamentally no other changes in the recognition and valuation methods compared with the previous year.

D.3.9 Insurance and intermediaries payables

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	39,321	39,321	0	37,405	1,916

Insurance and intermediaries payables* are valued at their nominal amount. As of the reporting date, the breakdown was as follows: insurance payables of €15,421 thousand and intermediaries payables of €23,900 thousand. The Company's payables reported at their nominal amounts are thus valued at the amount at which they could be exchanged in an arm's-length transaction between knowledgeable, willing parties. In particular because of the short-term nature of the payables (less than twelve months) and the fact that counterparty default risk is taken into account (in the form of write-downs), the nominal amounts that are recognized are suitable proxies for the economic values.

If the maturity period of the payables is longer (more than twelve months), the economic value is determined using the present value method.

There are therefore no valuation differences between the Solvency II and HGB carrying amounts. The year-on-year increase of €1,916 thousand in the Solvency II carrying amount was attributable to the settlement of agent accounts in normal business operations at certain intervals and to the payments from policyholders received before they are due, over which ARAG SE no influence.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.3.10 Reinsurance payables

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	2,941	2,941	0	2,764	177

Reinsurance payables are recognized at their settlement value. There are no differences (for example, as a result of classification as current liabilities (due within twelve months)) in their recognition and valuation on the HGB and Solvency II balance sheets. The year-on-year rise of €177 thousand in the Solvency II carrying amount was mainly due to the cash flows in inward reinsurance business during the fourth quarter of 2020 and the associated reinsurance settlement balances at the headquarters in Germany and at the branches in Spain, Italy, and the Netherlands.

There were no changes in the stated recognition and valuation methods compared with the previous year.

* Insurance payables for the most part refer to liabilities to policyholders.

D.3.11 Payables (trade, not insurance)

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	47,365	47,365	0	46,200	1,166

Payables (trade, not insurance) are recognized at their settlement value. All non-interest-bearing liabilities are valued at the higher of their nominal amount or settlement value. The economic value of those of a short-term nature (maturing within twelve months) is based on the nominal amount. If the maturity period of the payables is longer (more than twelve months), the economic value is determined using the present value method. Due to use of the nominal amounts as the economic value, there are no valuation differences.

The year-on-year rise of €1,166 thousand in the economic value was primarily due to the increase in liabilities to affiliated companies.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.3.12 Subordinated liabilities

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Subordinated liabilities not in basic own funds	0	0	0	0	0
Subordinated liabilities in basic own funds	32,779	30,000	2,779	32,921	- 141
Total	32,779	30,000	2,779	32,921	- 141

As of the reporting date, no **subordinated liabilities not in basic own funds** were recognized in the Company's financial statements, as was also the case a year earlier. An explanation of the year-on-year change is therefore not provided.

The **subordinated liabilities in basic own funds** were issued by way of private placement to improve the own funds used to determine the solvency ratio. The registered bond with a nominal value of €30,000 thousand has a fixed maturity of ten years and will be redeemed on July 29, 2024. The subordinated bearer bonds are recognized at their settlement amount. These bonds are not negotiable in Germany on a regulated market within the meaning of section 2 (5) of the German Securities Trading Act (WpHG).

On the Solvency II balance sheet, the subordinated liabilities in basic own funds are discounted with the risk-free interest rate derived from investment-grade industrial bonds, modified by the value of ARAG's different credit rating at the time the subordinated bond was issued on July 29, 2014. This results in an interest rate that is lower than the bond's nominal interest rate (4.8 percent). Because of the discounting, the value on the Solvency II balance sheet as of December 31, 2020 was €2,779 thousand higher than the value on the HGB balance sheet. The Solvency II carrying amount went down by €141 thousand year on year because of the shorter remaining time to maturity and the increase in the discount rate.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.3.13 Any other liabilities, not elsewhere shown

(€'000)	SII as of Dec. 31, 2020	HGB as of Dec. 31, 2020	Valuation difference	SII as of Dec. 31, 2019	SII change
Total	246	246	0	410	-163

Any other liabilities, not elsewhere shown are recognized at their settlement value on the HGB balance sheet.

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

The settlement value of any other liabilities, not elsewhere shown, corresponds in each case to the economic value because the materiality threshold is not reached.

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

As of the reporting date, the reported value of any other liabilities, not elsewhere shown was thus €246 thousand. The year-on-year decrease of €163 thousand in the Solvency II carrying amount was mainly attributable to the normal continuation of business operations because the amount concerned consisted of deferred income in accordance with HGB.

There were no changes in the stated recognition and valuation methods compared with the previous year.

D.4 Alternative Methods for Valuation

No alternative valuation methods other than those listed in chapters D.1 to D.3 inclusive have been used.

D.5 Any Other Information

The economic impact of the COVID-19 pandemic on ARAG SE's results of operations also has consequences for its net assets and financial position. Material impacts, especially in relation to investments, are influenced by the capital market environment. Any changes that arise are reflected in the individual market values and reduce the excess of assets over liabilities accordingly as of the respective reporting date. Depending on what changes, there could be a knock-on effect on the technical provisions. The capital markets rallied significantly from April 2020 onward, which meant that no negative impact, particularly with regard to the excess of assets over liabilities, was evident as of the reporting date.

It is difficult to predict the future impact of the COVID-19 pandemic on the valuation for solvency purposes.

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

E. Capital Management

E.1 Own Funds	102
.....	
E.2 Solvency Capital Requirement and Minimum Capital Requirement	105
.....	
E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement	107
.....	
E.4 Differences Between the Standard Formula and Any Internal Model Used	107
.....	
E.5 Non-Compliance with the Minimum Capital Requirement and Non-Compliance with the Solvency Capital Requirement	111
.....	
E.6 Any Other Information	111
.....	

E.1 Own Funds

Objectives, guidance, and procedures for managing own funds

In 2020, Solvency II balance sheets were prepared for the planning horizon on the basis of the budgeted results of operations. The internal capital management guidance states that if it is identified that solvency coverage is about to fall below a threshold value that is higher than the value specified by BaFin, various measures should be considered to offset the fall in the level of coverage.

If such a situation were to be identified, the governing bodies would be informed in accordance with the escalation path specified in the Company's capital management policy. Various measures would then be drawn up and examined as to their suitability before being submitted in turn to the decision-making bodies for implementation. The examination of whether one or more of the measures would be suitable would involve assessing when the measures could be implemented, what effect they would have, and whether multiple measures could be implemented in parallel.

In view of the existing solvency profile, a scenario in which the coverage ratio falls to a level below the internal reporting threshold, or even below regulatory requirements, is not considered realistic in the short to medium term. If, contrary to expectations, a sharp fall in solvency coverage were to materialize in the medium term, the following measures would be considered with a view to increasing own funds:

- Restriction on distribution
- Additional payment into the capital reserve, increase in share capital
- Borrowing pursuant to section 89 (3) no. 2 VAG

Subject to prior authorization from the supervisory authority, subordinated liabilities can also be used as basic own funds by companies that do not have securities admitted to trading on a regulated market in the EU. This method does provide a way of bolstering own funds, although operating performance may be adversely impacted by the interest that needs to be paid.

In 2020, the Company did not identify any need to strengthen components of basic own funds within its planning horizon. Accordingly, none of the measures listed above were drawn up or submitted to the decision-making bodies for implementation.

Components and quality of own funds

As of December 31, 2020, the Company held basic own funds in the form of an excess of assets over liabilities of €1,580,413 thousand (December 31, 2019: €1,410,723 thousand) according to the Solvency II balance sheet. The Company's minimum capital requirement (MCR) as of the reporting date was €184,668 thousand (December 31, 2019: €179,006 thousand) and the solvency capital requirement (SCR) was €488,118 thousand (December 31, 2019: €434,747 thousand).

It also had a subordinated liability of €32,779 thousand classified as own funds (December 31, 2019: €32,921 thousand). This registered bond has a fixed maturity of ten years and will be redeemed on July 29, 2024. In the event of liquidation, it will be subordinate to all other liabilities. According to the proposal for appropriation of the profit recognized on the HGB balance sheet, a sum of €30,000 thousand will be distributed to shareholders as dividends.

This results in eligible own funds of €1,583,192 thousand, split between the different capital classes as follows: Tier 1 own funds of €1,550,413 thousand (December 31, 2019: €1,380,723 thousand) and Tier 2 own funds of €32,779 thousand (December 31, 2019: €32,921 thousand).

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

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

(€'000)	Dec. 31, 2020	Dec. 31, 2019
Equity as of December 31 on the HGB balance sheet	517,067	482,851
Revaluation of investments with recognition of deferred taxes	775,604	740,881
Revaluation of technical provisions with recognition of deferred taxes	330,337	304,943
Revaluation of pension benefit obligations with recognition of deferred taxes	- 15,181	- 17,562
Revaluation of miscellaneous items with recognition of deferred taxes	- 4,485	- 65,907
Transfer of deferred taxes, particularly arising from the tax group	- 22,929	- 34,482
Excess of assets over liabilities according to the Solvency II balance sheet	1,580,413	1,410,724
Additional basic own funds resulting from subordinated liabilities	32,779	32,920
Dividend distribution (foreseeable dividend)	- 30,000	- 30,000
Total own funds as of December 31 that are eligible to cover the solvency capital requirement	1,583,192	1,413,644

Please refer to chapter D. 'Valuation for Solvency Purposes' of this report for information on the qualitative differences between the equity reported in the Company's financial statements and the excess of assets over liabilities calculated for solvency purposes.

Impact of the COVID-19 pandemic on own funds

The assumptions for 2020 of how the COVID-19 pandemic would affect the excess of assets over liabilities were not borne out. There was neither a pronounced sharp decline in the market values of the assets nor an observable increase in technical provisions. At the time this report was prepared, it was not possible to reliably estimate the long-term impact of the COVID-19 pandemic on own funds.

Information on deferred taxes

Deferred tax assets of €94,292 thousand and deferred tax liabilities of €253,603 thousand were recognized in the table 'Reconciliation of the equity on the HGB balance sheet to eligible own funds'. The calculation of deferred tax assets takes into account applicable tax legislation and tax rates. As on the HGB balance sheet, the current tax rates (relevant local tax rate for the branches) are used for the calculation, as described in chapter D.1.4 'Deferred tax assets'.

The amount of the tax assets can be determined on the Solvency II balance sheet, taking into consideration the recoverability of the deferred tax assets, and is thus given. On the Solvency II balance sheet, the deferred tax liabilities predominate and an analysis of the timing of the reversal effects demonstrates that the time until reversal of the deferred tax expense is shorter than the time until reversal of the deferred tax benefit. There are thus no net tax assets because the expense materializes earlier than the benefit.

Recognition under Tier 3 is not necessary due to the excess of deferred tax liabilities.

Own funds reconciliation reserve

(€'000)	Total	Tier 1 own funds	Tier 2 own funds	Tier 3 own funds
Share capital	100,000	100,000	0	0
Share premium account related to ordinary share capital	0	0	0	0
Reconciliation reserve	1,450,413	1,450,413	0	0
Basic own funds	1,550,413	1,150,413	0	0
Ancillary own funds (subordinated liabilities)	32,779	0	32,779	0
Own funds as of December 31 that are eligible to cover the solvency capital requirement	1,583,192	1,150,413	32,779	0

The reconciliation reserve amounted to €1,450,413 thousand and predominantly consisted of HGB revenue reserves of €271,000 thousand and valuation differences of €1,179,413 thousand. As of December 31, 2020, the Company's eligible own funds were €169,548 thousand higher than they had been a year earlier. The main reason for this increase was that the assets, particularly investments, rose more sharply than the liabilities.

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

The solvency capital requirement increased by 12.3 percent year on year, from €434,747 thousand to €488,118 thousand. Please refer to chapter C. 'Risk Profile' for further information on the changes in the individual risks. At 324.3 percent, the coverage ratio is significantly higher than the regulatory requirement and, in ARAG SE's view, constitutes a substantial risk buffer for customers. There was a small year-on-year fall of 0.9 percentage points in this coverage ratio, which stood at 325.2 percent as of December 31, 2019. Due to the COVID-19 pandemic, rough calculations of the solvency situation have been performed regularly since March 2020 in addition to the quarterly risk calculations. These calculations have also consistently shown a comfortable level of coverage.

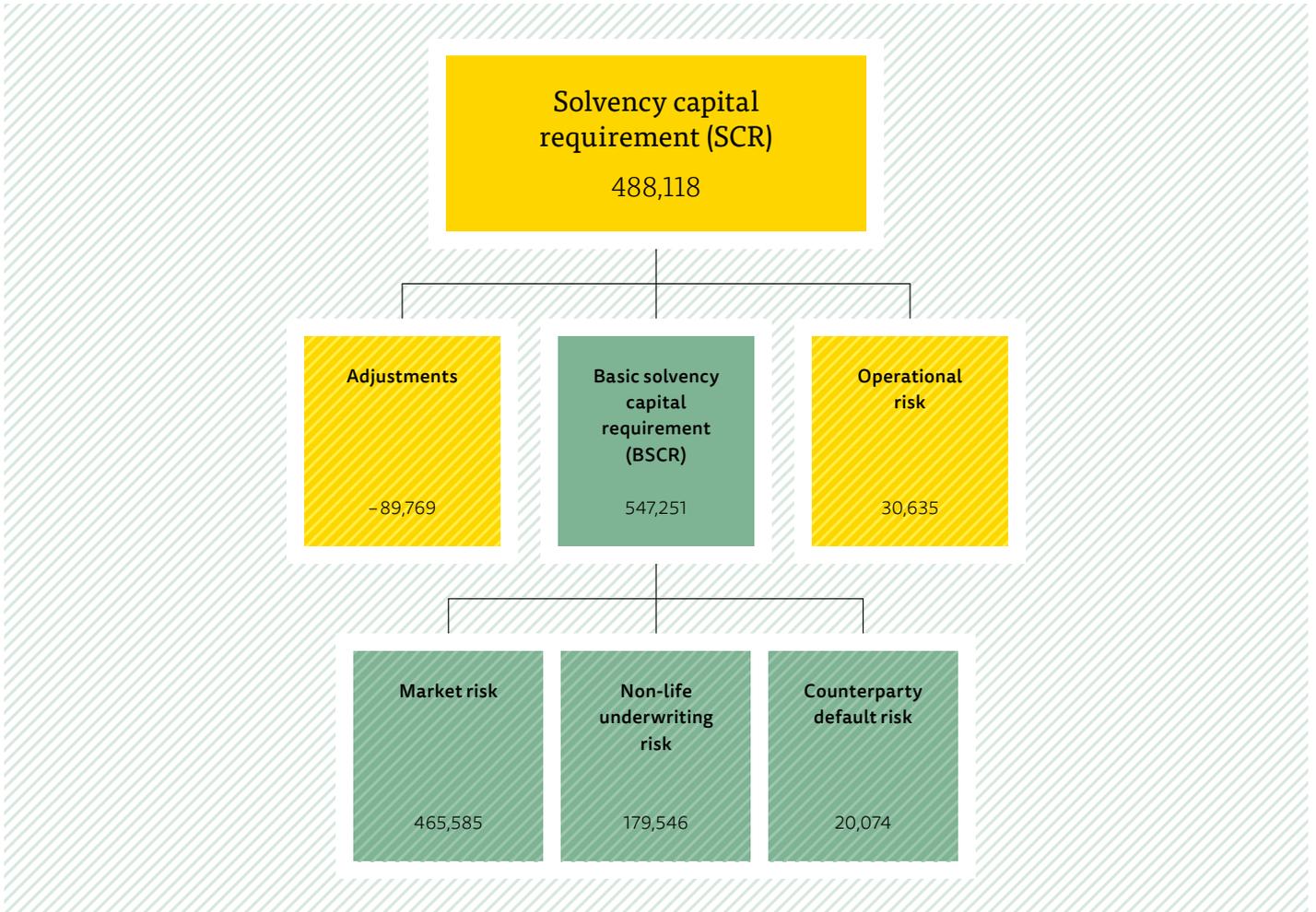
Neither a simplified calculation of the SCR standard formula nor undertaking-specific parameters (USPs) are used.

The minimum capital requirement is calculated on the basis of the technical provisions (excluding the risk margin) and net premiums written in the past twelve months in each line of business; it must not fall below 25.0 percent and not exceed 45.0 percent of the solvency capital requirement. As of December 31, 2020, the minimum capital requirement was €184,668 thousand (December 31, 2019: €179,006 thousand), which equated to 37.8 percent of the solvency capital requirement at that time and resulted in a coverage ratio for the minimum capital requirement of 857.32 percent (December 31, 2019: 789.7 percent).

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

In the transition from the basic solvency capital requirement (BSCR) to the solvency capital requirement (SCR), a risk-mitigating effect from deferred taxes in an amount of €89,769 thousand was applied. This is solely the result of the excess of deferred tax liabilities over deferred tax assets. Projected future profits are not factored in for the purposes of determining the loss-absorbing capacity of the deferred taxes. Further information on deferred taxes can be found in chapters D.1.4, D.3.5, and E.1.

EIOPA risk tree for ARAG SE (€'000)



Solvency capital requirement (SCR) is the amount of own funds required to be held in case of an unlikely but large loss.

Adjustments contain the loss-absorbing capacity of technical provisions and deferred taxes.

Basic solvency capital requirement (BSCR) is the sum of the aggregated individual risks (taking into account diversification effects) or the solvency capital requirement (SCR) before adjustments, operational risk (OpRisk), and any non-controlled participations (NCPs).

Operational risk is the risk arising from inadequate or failed internal processes, personnel, or systems, or from external events.

Market risk is the risk of loss or of adverse changes to market prices of assets, liabilities, and financial instruments.

Non-life underwriting risk is the risk of a loss or adverse change in the value of insurance liabilities in the non-life insurance business arising from inadequate pricing and inadequate provisioning assumptions.

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors in the insurance business and of reinsurance companies over the following twelve months.

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

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

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

The Group's business model was one of the major factors behind the development of a partial internal model for ARAG SE. ARAG SE's specific risk profile cannot be accurately reflected using the standard formula.

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

Among other things, the partial internal model enables the Company to model the underwriting risks appropriately and on an individual basis, thus ensuring the risks can be presented and managed adequately.

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

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

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

Probability distribution forecast

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

Non-life underwriting risk comprises the following components: premium risk, reserve risk, accumulation risk, and lapse risk. ARAG SE believes that accumulations of legal insurance represent the catastrophe risk for a legal insurance company. The catastrophe module has therefore been extended to include accumulation risk.

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

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

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

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

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

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

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

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

The differences between the internal model and the standard formula in respect of the counterparty default risk module are explained below.

Comparison between the counterparty default risk module in the internal model and the standard formula

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

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

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

Sub-module	Standard formula	Internal model
Premium and reserve risk	A factor-based approach is used in the standard formula. The standard volatility factors (market average) for each line of business are applied to the relevant volume measure (reserve or premiums). Specified correlation parameters are used in a linear correlation approach. Regional diversification is taken into account.	In the partial internal model, legal insurance is broken down into groups of risks sharing similar characteristics and these risk groups form the ARAG segments. The risk calculation is based on company-specific data and internal calibration. The aggregation method follows a copula approach. Well-established actuarial methods are used.
Lapse risk	A stress scenario is applied to the forecast profits from the current portfolio.	A lapse distribution is modeled, with calibration based on company-specific data.
Legal insurance accumulation risk	This risk is not taken into account in the standard formula.	Accumulation events represent a heightened risk in the legal insurance business. ARAG therefore models these losses with its own data using a distribution of the number and of the amount of claims.

Diversification

Diversification effects are highlighted by aggregating the risk distributions for the individual sub-risks into the total risk capital requirement. The diversification effect between the modules for ARAG SE amounted to €117,954 thousand. Diversification effects arise if the risks to be aggregated are independent or only partially dependent on each other. Key diversification factors include, for example:

- Classes of insurance or segments: legal insurance disputes involving private or small business customers
- Regions: losses in different countries

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

Appropriateness of data

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

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

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

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

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

E.6 Any Other Information

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

Appendix

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	94,292
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	51,771
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	2,881,101
Property (other than for own use)	R0080	29,091
Holdings in related undertakings, including participations	R0090	1,110,084
Equities	R0100	870
Equities – listed	R0110	126
Equities – unlisted	R0120	743
Bonds	R0130	1,037,700
Government bonds	R0140	347,354
Corporate bonds	R0150	684,874
Structured notes	R0160	5,472
Collateralized securities	R0170	0
Collective investment undertakings	R0180	672,077
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	26,769
Other investments	R0210	4,510
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	2,855
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	80
Other loans and mortgages	R0260	2,775
Reinsurance recoverables from:	R0270	600
Non-life and health similar to non-life	R0280	600
Non-life excluding health	R0290	600
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	64,521
Insurance and intermediaries receivables	R0360	49,622
Reinsurance receivables	R0370	52,462
Receivables (trade, not insurance)	R0380	41,322
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	90,845
Any other assets, not elsewhere shown	R0420	6,998
Total assets	R0500	3,336,388

S.02.01.02

Balance sheet

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	1,055,208
Technical provisions – non-life (excluding health)	R0520	1,055,208
Technical provisions calculated as a whole	R0530	0
Best estimate	R0540	1,021,175
Risk margin	R0550	34,033
Technical provisions – health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best estimate	R0580	0
Risk margin	R0590	0
Technical provisions – life (excluding index-linked and unit-linked)	R0600	0
Technical provisions – health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	80,485
Pension benefit obligations	R0760	261,966
Deposits from reinsurers	R0770	60
Deferred tax liabilities	R0780	235,603
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance and intermediaries payables	R0820	39,321
Reinsurance payables	R0830	2,941
Payables (trade, not insurance)	R0840	47,365
Subordinated liabilities	R0850	32,779
Subordinated liabilities not in basic own funds	R0860	0
Subordinated liabilities in basic own funds	R0870	32,779
Any other liabilities, not elsewhere shown	R0880	246
Total liabilities	R0900	1,755,975
Excess of assets over liabilities	R1000	1,580,413

S.05.01.02

Premiums, claims and expenses by line of business

		Medical expense insurance	Income protection insurance
		C0010	C0020
Premiums written			
Gross – direct business	R0110	0	0
Gross – proportional reinsurance accepted	R0120	0	0
Gross – non-proportional reinsurance accepted	R0130	-	-
Reinsurers' share	R0140	0	0
Net	R0200	0	0
Premiums earned			
Gross – direct business	R0210	0	0
Gross – proportional reinsurance accepted	R0220	0	0
Gross – non-proportional reinsurance accepted	R0230	-	-
Reinsurers' share	R0240	0	0
Net	R0300	0	0
Claims incurred			
Gross – direct business	R0310	0	0
Gross – proportional reinsurance accepted	R0320	0	0
Gross – non-proportional reinsurance accepted	R0330	-	-
Reinsurers' share	R0340	0	0
Net	R0400	0	0
Changes in other technical provisions			
Gross – direct business	R0410	0	0
Gross – proportional reinsurance accepted	R0420	0	0
Gross – non-proportional reinsurance accepted	R0430	-	-
Reinsurers' share	R0440	0	0
Net	R0500	0	0
Expenses incurred	R0550	0	0
Other expenses	R1200	-	-
Total expenses	R1300	-	-

S.05.01.02

Premiums, claims and expenses by line of business

		Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		
		Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0100	C0110	C0120
Premiums written				
Gross – direct business	R0110	724,165	22,485	8,224
Gross – proportional reinsurance accepted	R0120	241,668	12,801	443
Gross – non-proportional reinsurance accepted	R0130	-	-	-
Reinsurers' share	R0140	712	138	0
Net	R0200	965,121	35,149	8,667
Premiums earned				
Gross – direct business	R0210	719,016	23,501	8,552
Gross – proportional reinsurance accepted	R0220	239,360	12,550	438
Gross – non-proportional reinsurance accepted	R0230	-	-	-
Reinsurers' share	R0240	712	138	0
Net	R0300	957,664	35,913	8,990
Claims incurred				
Gross – direct business	R0310	301,346	12,668	468
Gross – proportional reinsurance accepted	R0320	56,293	9,537	20
Gross – non-proportional reinsurance accepted	R0330	-	-	-
Reinsurers' share	R0340	1	154	0
Net	R0400	357,638	22,051	487
Changes in other technical provisions				
Gross – direct business	R0410	-23	0	0
Gross – proportional reinsurance accepted	R0420	1,610	0	0
Gross – non-proportional reinsurance accepted	R0430	-	-	-
Reinsurers' share	R0440	0	0	0
Net	R0500	1,587	0	0
Expenses incurred	R0550	559,355	17,615	4,700
Other expenses	R1200	-	-	-
Total expenses	R1300	-	-	-

Line of business for: accepted non-proportional reinsurance					Total
Health	Casualty	Marine, aviation, transport	Property		
C0130	C0140	C0150	C0160		C0200
0	0	0	0		754,873
0	0	0	0		254,913
-	-	-	-		0
0	0	0	0		849
0	0	0	0		1,008,937
0	0	0	0		751,069
0	0	0	0		252,347
-	-	-	-		0
0	0	0	0		849
0	0	0	0		1,002,567
0	0	0	0		314,482
0	0	0	0		65,849
-	-	-	-		0
0	0	0	0		155
0	0	0	0		380,176
0	0	0	0		-23
0	0	0	0		1,610
-	-	-	-		0
0	0	0	0		0
0	0	0	0		1,587
0	0	0	0		581,670
-	-	-	-		-
-	-	-	-		581,670

S.05.01.02

Premiums, claims and expenses by line of business

		Health insurance	Insurance with profit participation
		C0210	C0220
Premiums written			
Gross	R1410	0	0
Reinsurers' share	R1420	0	0
Net	R1500	0	0
Premiums earned			
Gross	R1510	0	0
Reinsurers' share	R1520	0	0
Net	R1600	0	0
Claims incurred			
Gross	R1610	0	0
Reinsurers' share	R1620	0	0
Net	R1700	0	0
Changes in other technical provisions			
Gross	R1710	0	0
Reinsurers' share	R1720	0	0
Net	R1800	0	0
Expenses incurred	R1900	0	0
Other expenses	R2500	-	-
Total expenses	R2600	-	-

S.05.02.01

Premiums, claims and expenses by country

		Home country
		C0010
	R0010	-
		C0080
Premiums written		
Gross – direct business	R0110	416,824
Gross – proportional reinsurance accepted	R0120	26,290
Gross – non-proportional reinsurance accepted	R0130	-
Reinsurers' share	R0140	493
Net	R0200	442,621
Premiums earned		
Gross – direct business	R0210	413,029
Gross – proportional reinsurance accepted	R0220	26,290
Gross – non-proportional reinsurance accepted	R0230	-
Reinsurers' share	R0240	493
Net	R0300	438,826
Claims incurred		
Gross – direct business	R0310	240,581
Gross – proportional reinsurance accepted	R0320	22,008
Gross – non-proportional reinsurance accepted	R0330	-
Reinsurers' share	R0340	67
Net	R0400	262,522
Changes in other technical provisions		
Gross – direct business	R0410	- 18
Gross – proportional reinsurance accepted	R0420	1,610
Gross – non-proportional reinsurance accepted	R0430	0
Reinsurers' share	R0440	0
Net	R0500	1,592
Expenses incurred	R0550	205,385
Other expenses	R1200	-
Total expenses	R1300	-

Top 5 countries (by amount of gross premiums written) - non-life obligations						Total top 5 and home country
C0020	C0030	C0040	C0050	C0060	C0070	
AT	BE	IT	NL	ES		-
C0090	C0100	C0110	C0120	C0130		C0140
73,539	27,130	36,642	106,029	87,502		747,666
0	1,308	117,428	68,397	40,062		253,485
-	-	-	-	-		-
0	0	0	0	356		849
73,539	28,438	154,070	174,426	127,207		1,000,301
72,703	26,933	37,442	105,988	87,602		743,698
0	1,308	115,828	68,336	39,536		251,298
-	-	-	-	-		-
0	0	0	0	356		849
72,703	28,241	153,270	174,324	126,782		994,146
15,811	9,815	1,553	8,885	35,456		312,101
-7	791	16,104	5,954	20,945		65,795
-	-	-	-	-		-
-2	-19	0	0	109		155
15,806	10,625	17,656	14,839	56,292		377,740
-5	0	0	0	0		-23
0	0	0	0	0		1,610
0	0	0	0	0		0
0	0	0	0	0		0
-5	0	0	0	0		1,587
33,182	16,899	113,218	144,739	61,974		575,397
-	-	-	-	-		-
-	-	-	-	-		575,397

S.05.02.01

Premiums, claims and expenses by country

		Home country	
			C0150
	R1400		-
			C0220
Premiums written			
Gross	R1410		
Reinsurers' share	R1420		
Net	R1500		
Premiums earned			
Gross	R1510		
Reinsurers' share	R1520		
Net	R1600		
Claims incurred			
Gross	R1610		
Reinsurers' share	R1620		
Net	R1700		
Changes in other technical provisions			
Gross	R1710		
Reinsurers' share	R1720		
Net	R1800		
Expenses incurred	R1900		
Other expenses	R2500		-
Total expenses	R2600		-

S.17.01.02

Non-life technical provisions

		Medical expense insurance	Income protection insurance
		C0020	C0030
Technical provisions calculated as a whole	R0010	-	-
Total recoverables from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	-	-
Technical provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross	R0060	-	-
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	R0140	-	-
Net best estimate of premium provisions	R0150	-	-
Claims provisions			
Gross	R0160	-	-
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	R0240	-	-
Net best estimate of claims provisions	R0250	-	-
Total best estimate - gross	R0260	-	-
Total best estimate - net	R0270	-	-
Risk margin	R0280	-	-
Amount of the transitional on technical provisions			
Technical provisions calculated as a whole	R0290	-	-
Best estimate	R0300	-	-
Risk margin	R0310	-	-
Technical provisions - total			
Technical provisions - total	R0320	-	-
Recoverable from reinsurance contract/SPV and finite re after the adjustment for expected losses due to counterparty default - total	R0330	-	-
Technical provisions minus recoverables from reinsurance/SPV and finite re - total	R0340	-	-

S.17.01.02

Non-life technical provisions

Technical provisions calculated as a whole	R0010
Total recoverables from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050
Technical provisions calculated as a sum of BE and RM	
Best estimate	
Premium provisions	
Gross	R0060
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	R0140
Net best estimate of premium provisions	R0150
Claims provisions	
Gross	R0160
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	R0240
Net best estimate of claims provisions	R0250
Total best estimate – gross	R0260
Total best estimate – net	R0270
Risk margin	R0280
Amount of the transitional on technical provisions	
Technical provisions calculated as a whole	R0290
Best estimate	R0300
Risk margin	R0310
Technical provisions – total	
Technical provisions – total	R0320
Recoverable from reinsurance contract/SPV and finite re after the adjustment for expected losses due to counterparty default – total	R0330
Technical provisions minus recoverables from reinsurance/SPV and finite re – total	R0340

Legal expenses insurance	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total non-life obligation
	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
122,139	1,350	6,312	-	-	-	-	129,801
0	0	0	-	-	-	-	0
122,139	1,350	6,312	-	-	-	-	129,801
885,471	3,946	1,957	-	-	-	-	891,374
600	0	0	-	-	-	-	600
884,871	3,946	1,957	-	-	-	-	890,774
1,007,610	5,296	8,268	-	-	-	-	1,021,175
1,007,011	5,296	8,268	-	-	-	-	1,020,575
32,756	399	878	-	-	-	-	34,033
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,040,366	5,695	9,146	-	-	-	-	1,055,208
600	0	0	-	-	-	-	600
1,039,767	5,695	9,146	-	-	-	-	1,054,608

S.19.01.21

Non-life insurance claims

Total non-life business

Accident year/Underwriting year	Z0010	Accident year
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Gross claims paid (non-cumulative)*(absolute amount)*

		Development year					
Year		0	1	2	3	4	5
		C0010	C0020	C0030	C0040	C0050	C0060
Prior	R0100	-	-	-	-	-	-
N-9	R0160	93,925	88,318	40,669	25,376	16,071	11,059
N-8	R0170	91,802	88,066	42,638	24,389	15,943	9,958
N-7	R0180	93,128	94,583	41,193	23,208	15,316	10,568
N-6	R0190	103,061	95,559	41,594	23,549	16,005	10,795
N-5	R0200	112,931	101,626	43,607	24,958	16,956	11,199
N-4	R0210	125,173	106,007	46,772	27,657	18,127	
N-3	R0220	133,343	112,927	47,417	26,934		
N-2	R0230	137,669	120,525	49,448			
N-1	R0240	140,450	122,781				
N	R0250	141,804					

Gross undiscounted best estimate claims provisions*(absolute amount)*

		Development year					
Year		0	1	2	3	4	5
		C0200	C0210	C0220	C0230	C0240	C0250
Prior	R0100	-	-	-	-	-	-
N-9	R0160	0	0	0	0	0	0
N-8	R0170	0	0	0	0	0	0
N-7	R0180	0	0	0	0	0	0
N-6	R0190	0	0	0	0	0	0
N-5	R0200	0	0	0	0	0	35,197
N-4	R0210	0	0	0	0	49,371	
N-3	R0220	0	0	0	69,175		
N-2	R0230	0	0	106,344			
N-1	R0240	0	171,469				
N	R0250	338,588					

Development year					In current year	Sum of years (cumulative)
6	7	8	9	10 & +		
C0070	C0080	C0090	C0100	C0110	C0170	C0180
-	-	-	-	1,671	R0100	2,006,888
7,372	5,188	3,343	2,446		R0160	293,766
7,358	4,986	3,063			R0170	288,203
7,936	4,291				R0180	290,222
6,399					R0190	296,963
					R0200	311,276
					R0210	323,736
					R0220	320,622
					R0230	307,642
					R0240	263,230
					R0250	141,804
				Total	R0260	6,386,538

Development year					Year end (discounted data)	
6	7	8	9	10 & +		
C0260	C0270	C0280	C0290	C0300	C0360	
-	-	-	-	16,556	R0100	16,787
0	0	0	9,140		R0160	9,288
0	0	13,042			R0170	13,250
0	17,803				R0180	18,079
25,657					R0190	26,023
					R0200	35,709
					R0210	50,106
					R0220	70,179
					R0230	107,872
					R0240	173,878
					R0250	343,127
				Total	R0260	891,374

S.23.01.01**Own funds****Basic own funds before deduction for participations in other financial sectors as foreseen in article 68 of Delegated Regulation (EU) 2015/35**

Ordinary share capital (gross of own shares)	
Share premium account related to ordinary share capital	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	
Subordinated mutual member accounts	
Surplus funds	
Preference shares	
Share premium account related to preference shares	
Reconciliation reserve	
Subordinated liabilities	
An amount equal to the value of net deferred tax assets	
Other own fund items approved by the supervisory authority as basic own funds not specified above	

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	
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Deductions

Deductions for participations in financial and credit institutions	
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Total basic own funds after deductions**Ancillary own funds**

Unpaid and uncalled ordinary share capital callable on demand	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	
Unpaid and uncalled preference shares callable on demand	
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	
Other ancillary own funds	

Total ancillary own funds**Available and eligible own funds**

Total available own funds to meet the SCR	
Total available own funds to meet the MCR	
Total eligible own funds to meet the SCR	
Total eligible own funds to meet the MCR	

SCR**MCR****Ratio of eligible own funds to SCR****Ratio of eligible own funds to MCR****Reconciliation reserve**

Excess of assets over liabilities	
Own shares (held directly and indirectly)	
Foreseeable dividends, distributions and charges	
Other basic own fund items	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	

Reconciliation reserve**Expected profits**

Expected profits included in future premiums (EPIFP) – life business	
Expected profits included in future premiums (EPIFP) – non-life business	

Total expected profits included in future premiums (EPIFP)

	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
	-	-	-	-	-
R0010	100,000	100,000	-	0	0
R0030	0	-	-	0	0
R0040	-	-	-	-	0
R0050	-	-	-	-	-
R0070	-	-	-	0	0
R0090	-	-	-	-	-
R0110	-	-	-	-	-
R0130	1,450,413	1,450,413	-	0	0
R0140	32,779	0	-	32,779	0
R0160	0	0	-	0	0
R0180	-	-	-	-	-
	-	-	-	-	-
R0220	0	-	-	-	-
	-	-	-	-	-
R0230	0	0	0	0	0
R0290	1,583,192	1,550,413	0	32,779	0
	-	-	-	-	-
R0300	-	-	-	-	-
	-	-	-	-	-
R0310	-	-	-	-	-
R0320	-	-	-	-	-
R0330	-	-	-	-	-
R0340	-	-	-	-	-
R0350	-	-	-	-	-
R0360	-	-	-	-	-
R0370	-	-	-	-	-
R0390	-	-	-	-	-
R0400	-	0	0	-	-
	-	-	-	-	-
R0500	1,583,192	1,550,413	0	32,779	0
R0510	1,583,192	1,550,413	0	32,779	0
R0540	1,583,192	1,550,413	0	32,779	0
R0550	1,583,192	1,550,413	0	32,779	0
R0580	488,118	-	-	-	-
R0600	184,668	-	-	-	-
R0620	3.24	-	-	-	-
R0640	8.57	-	-	-	-
	-	-	-	-	-
	C0060				
R0700	1,580,413				
R0710	0				
R0720	30,000				
R0730	100,000				
R0740	0				
R0760	1,450,413				
	-				
R0770					
R0780	103,337				
R0790	103,337				

S.25.02.21

Solvency capital requirement – for undertakings using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the solvency capital requirement	Amount modeled	USP	Simplifications	
C0010		C0020	C0030	C0070	C0080	C0090
1	Market risk	465,585	465,585			
2	Counterparty default risk	20,074				
3	Life underwriting risk					
4	Health underwriting risk					
5	Non-life underwriting risk	179,546	179,546			
6	Intangible asset risk	0				
7	Operational risk	30,635				
8	LAC technical provisions	0				
9	LAC deferred taxes	-89,769				
Calculation of solvency capital requirement			C0100			
Total undiversified components	R0110	665,206				
Diversification	R0060	-117,954				
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0				
Solvency capital requirement excluding capital add-on	R0200	488,118				
Capital add-ons already set	R0210	0				
Solvency capital requirement	R0220	488,118				
Other information on SCR						
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	0				
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-89,769				
Capital requirement for duration-based equity risk sub-module	R0400	0				
Total amount of notional solvency capital requirements for remaining part	R0410	0				
Total amount of notional solvency capital requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	0				
Total amount of notional solvency capital requirement for matching adjustment portfolios	R0430	0				
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0				
Approach to tax rate			C0109			
Approach based on average tax rate (yes/no)	R0590	-				
Loss-absorbing capacity of deferred taxes			C0130			
Amount/estimate of LAC DT	R0640	-89,769				
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	-89,769				
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	0				
Amount/estimate of LAC DT justified by carry back, current year	R0670	0				
Amount/estimate of LAC DT justified by carry back, future years	R0680	0				
Amount/estimate of maximum LAC DT	R0690	-141,311				

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

			C0010		
MCRNL result			R0010	184,668	
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0020	Net (of reinsurance) written premiums in the last 12 months C0030
Medical expense insurance and proportional reinsurance			R0020	-	-
Income protection insurance and proportional reinsurance			R0030	-	-
Workers' compensation insurance and proportional reinsurance			R0040	-	-
Motor vehicle liability insurance and proportional reinsurance			R0050	-	-
Other motor insurance and proportional reinsurance			R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance			R0070	-	-
Fire and other damage to property insurance and proportional reinsurance			R0080	-	-
General liability insurance and proportional reinsurance			R0090	-	-
Credit and suretyship insurance and proportional reinsurance			R0100	-	-
Legal expenses insurance and proportional reinsurance			R0110	1,007,011	967,245
Assistance and proportional reinsurance			R0120	5,296	22,075
Miscellaneous financial loss insurance and proportional reinsurance			R0130	8,268	21,627
Non-proportional health reinsurance			R0140	-	-
Non-proportional casualty reinsurance			R0150	-	-
Non-proportional marine, aviation and transport reinsurance			R0160	-	-
Non-proportional property reinsurance			R0170	-	-

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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