



**ARAG Allgemeine
Rechtsschutz-
Versicherungs-AG**
ARAG Platz 1
40472 Düsseldorf

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Klaus Heiermann
Senior Vice President
Corporate Communications

Telephone: +49 (0) 211 9 63-22 19
Fax: +49 (0) 211 9 63-22 20
klaus.heiermann@ARAG.de
www.ARAG.de

ARAG Group Shows Strength in the Crisis. Stable Growth Despite Global Recession

Key figures

ARAG AG (in million EUR)	2008	+/-	2007
Gross premiums written	1,361.0	1.4%	1,342.2
Cost of claims for own account	860.1	-0.9%	867.8
Claims ratio	64.2%	-1.9% pts.	66.1%
Costs of insurance business for own account	441.3	2.5%	430.7
Cost ratio	32.9%	0.1% pts.	32.8%
Underwriting earnings for own account	63.1	30.1%	48.5
Income from capital investment	103.6	-46.2%	192.4
Income from normal business activity	22.0	-63.5%	60.2
Net income before external portions	3.8	-82.0%	21.1

- ARAG achieved 1.4 percent growth in an extremely difficult business environment in 2008
- Revenue from international operations rose by 5.7 percent
- Especially strong growth in the U.S.
- Underwriting earnings up by 30 percent
- A good start in 2009

“Although the collapse of global financial markets has affected us as well, the ARAG Group has demonstrated its strength over the course of the crisis,” noted Dr. Paul-Otto Faßbender, Chairman of the ARAG Board of Management, with regard to developments during business year 2008 at the presentation of the Group’s annual financial statements. In spite of the recession, the family enterprise recorded a 1.4 percent gain in premium revenue from € 1.34 billion to €1.36 billion. Thanks to consistent pursuit of its conservative business policy, ARAG has maintained a solid position in the insurance business. Underwriting earnings rose by a substantial 30.1 percent from €48.5 million to €63.1 million. On the basis of these very good results, the Group increased its risk reserves and wrote off €90.8 million on securities. Income from normal business activity declined accordingly from €60.2 million to €22.0 million. ***“The shareholders consider the earnings situation acceptable. Thanks largely to our very good underwriting earnings,***

Chairman of the Supervisory Board:
Gerd Peskes
Board of Management:
Dr. Paul-Otto Faßbender (Chair),
Dr. Johannes Kathan, Werner Nicoll,
Hanno Petersen, Dr. Joerg Schwarze
Seat and court of registry:
Düsseldorf, HRB 1371
VAT ID: DE 119 355 995

the Group can continue to act with confidence even during the financial crisis,” explained Dr. Paul-Otto Faßbender.

Claims costs decreased slightly from € 867.8 million to € 860.1 million, while the claims ratio fell from 66.1 to 64.2 percent. This improvement is attributable to efficient claims management within the Group, most notably in the telephone service. At a respectable 32.9 percent, the cost ratio remained practically unchanged as compared to the previous year (32.8 percent). With claims costs down, the combined ratio improved once again, decreasing by 1.8 percentage points from 98.9 percent to 97.1 percent.

Legal insurance, the Group’s largest segment, proved persistently robust, as premium income rose by 1.5 percent to € 684.6 million (2007: 674.6 million). Revenues from international legal insurance operations continued to show strong growth, with a 5.7 percent gain from € 347.6 million to € 367.2 million. In spite of this stable rate of growth, claims costs were markedly lower throughout the entire legal insurance segment. The claims ratio of 53.9 percent can be rated as very good (2007: 59.0 percent). Underwriting earnings from legal insurance showed especially good growth. Following a loss of € 2.5 million in 2007, the Group recorded a net profit of € 29.5 million in 2008.

The ARAG subsidiary in the U.S. recorded the strongest revenue gain, with a 15.5 percent increase in premium income. The financial crisis has significantly stimulated demand for legal insurance in the United States. ARAG also achieved significant growth in Spain, where premium income rose by 6.2 percent. In Norway, ARAG increased its interest in HELP Forsikring from 33.4 to 42.0 percent, thereby securing access to the strong growth potential offered by the Scandinavian market.

The Group once again achieved dynamic growth in the health insurance segment in Germany, where premium revenues rose by 7.3 percent – well above the market average. Premium income increased from € 218.0 million to € 233.9 million in 2008. As in previous years, this strong revenue gain was accompanied by solid earnings. Although insurance benefits increased by 12.6 percent, the Group recorded a good insurance earnings ratio of 10.7 percent.

Outlook for the current business year 2009

Premium income for the ARAG Group rose by 0.4 percent from € 695.3 million to € 698.4 million during the first six months of 2009. Worthy of particular note in this context is the substantial 8.8 percent gain achieved by ARAG Health.

Group production showed no symptoms of crisis. It improved significantly, rising by 10 percent in the domestic market as compared to the previous year's period. The Group currently counts 25 percent more new customers than were acquired during the early months of the preceding year.

“Our outlook is positive in spite of the financial crisis. The ARAG business model has been tested and proven strong enough to weather the crisis,” emphasized Dr. Paul-Otto Faßbender. The Group is well prepared to cope with the effects of the recession that may well last into the year 2010. Under these circumstances, the Board of Management currently expects the Group to grow at a stable rate of 1.5 to 2 percent and to achieve further improvements in earnings in 2009.

At the same time, the majority shareholder emphasized that ARAG intends to strengthen its profile as a family enterprise in the future. *“The crisis has taught us that the model of the family business has taken on new meaning for consumers in the insurance sector as well. This is a reflection of a return to traditional values – and a clear sign of the strong potential available to ARAG as the largest family enterprise in the German insurance industry,”* as Dr. Paul-Otto Faßbender pointed out.

The **ARAG Group** is the internationally recognized, independent partner for legal matters and protection. ARAG is the largest family-owned company in the German insurance industry. With its over 3.300 employees, the Group generates sales and premium revenues of over € 1.4 billion. Outside of Germany, ARAG is actively serving customers in 12 other European countries and the United States. ARAG currently holds a leadership position in the US legal insurance market. In addition, the ARAG Group with its legal insurance products is the market leader in Spain and Italy.