



ARAG Group repositioned and remains on course for success

Key figures

ARAG Holding SE (in million €)	2017	+/-	2016*
Gross written premiums	1,585.0	- 8.4 %	1,729.7
Expenditures for insurance claims for own account	854.0	- 15.9 %	1,014.9
Claims ratio	54.4 %	- 5.1 %-pts.	59.5 %
Costs of insurance business for own account	558.4	2.2 %	546.5
Cost ratio	35.6 %	3.6 %-pts.	32.0 %
Underwriting result for own account	73.5	10.2 %	66.7
Income from capital investments	136.1	- 43.3 %	240.0
Profit on ordinary activities	81.2	- 6.6 %	87.0
Group net income	27.8	- 35.5 %	43.1

* Figures for 2016, including the life insurance business sold off in 2017, with premium income of € 213.7 million

- **Persistently strong growth in all Group segments**
- **Above-average premium gain in Germany (+3.3 percent)**
- **Dynamic growth in international business**
- **Combined ratio very good at 89.9 percent in spite of business expansion**
- **Underwriting result substantially improved (+10 percent)**
- **ARAG continues to grow in the first half of 2018 and is expanding into Australia**

"Our transition year 2017 went much better than expected, and the results clearly show that the reorientation of our Group has given us new, fresh momentum," explained Dr. Paul-Otto Faßbender, Chairman and majority shareholder of the ARAG Group, at the Group's annual press conference. As a result of the sale of its life insurance business, premium income for the ARAG Group decreased in purely arithmetical terms by 8.4 percent during the reporting period. The Group is now fully focused on its composite and health insurance business. Gross written premiums in these segments rose substantially by € 69 million (or 4.6 percent) to € 1.59 billion in 2017. Thus nearly one-third of the premium losses resulting from the sale of the life insurance business were offset. Total Group premiums and revenues – including revenues generated by the service companies, amounted to € 1.61 billion. The underwriting result improved markedly, with a 10.2-percent increase to € 73.5 million – the best figure reported in the last ten years. At € 81.2 million, profit on ordinary activities was also good and clearly exceeded the original expectations.

The Group's international insurance business showed especially dynamic growth with a 6.5-percent gain in premium income. Premium revenues were also up by 3.3 percent in Germany – well ahead of the market average of 1.3 percent. The German legal insurance segment made a particularly strong contribution to growth with a gain of 6.1 percent. The combined ratio continued to decline slightly, ending the year at 89.9 percent – the best value achieved in the past ten years. ARAG paid benefits amounting to a total of € 854.0 million in 2017. Following the sale of the life insurance business, the Group claims ratio fell to 54.4 percent (2016: 59.5 percent). The cost ratio rose as expected, from 32 to 35.6 percent. Tax expenditures increased, due largely to adjustments to deferred tax balances. Consequently, Group net income fell from € 43.1 million to € 27.8 million. At € 461.4 million, Group



equity capital matched that of the preceding year (€ 461.7 million). The family-owned enterprise reported a 6.2-percent after-tax return on equity in 2017. “That is still a very good value in view of the difficulties we faced during this transitional business year. I see no reason why I shouldn’t feel safe and secure as an ARAG shareholder,” emphasized Dr. Paul-Otto Faßbender, from his perspective as majority shareholder of the ARAG Group.

Legal insurance, ARAG’S largest business segment, is still the Group’s strongest growth driver. Premium income from this segment rose by € 45.8 million, or 5.1 percent to € 938.8 million. Premium revenues from international insurance business rose by 4.9 percent to € 568.0 million (2016: € 541.5 million). Especially strong growth was reported by ARAG branches and subsidiaries in Spain, the US, Scandinavia and Austria. Premium income from the self-contracted legal insurance business in ARAG’s home market of Germany rose by 6.1 percent from € 329.3 million to € 349.2 million. This growth is sustainable, as it is clearly attributable to the expansion of ARAG’s customer base. The number of policies rose by 49,600. With profit on ordinary activities of € 97.2 million, a very good result was achieved in the legal insurance segment as a whole once again (2016: € 103.7 million).

Premium income in the Group’s **composite segment** rose by 5.6 percent to € 281.0 million (2016: 266.1 million €). No major losses occurred during the past fiscal year. However, several minor weather-related events contributed to a higher volume of benefits paid for claims. As a result, the gross claims ratio rose slightly, from 54.8 to 55.9 percent. The underwriting result improved markedly, from € 2.5 million to € 12.5 million.

The **health insurance business** continued to prosper as well, as premium income rose by 2.3 percent to € 365.1 million (2016: € 356.8 million). At roughly 1 percent, premium adjustments affecting policies in our portfolio were very moderate as compared to those of our competitors. In the interest of our customers, 82 percent of the gross surplus of € 58.8 million (2016: € 75.9 million) were allocated to provisions for premium refunds. The underwriting result improved substantially from € 8.5 million to € 17.3 million.

Outlook for business year 2018

The successful growth achieved in business year 2017 has continued during the first six months of 2018. Group premium income is expected to increase by 3.4 percent to € 830 million (as compared to € 802.3 million in the same period of 2016). Revenues in the German market are likely to rise by 3.6 percent. Especially noteworthy is further strong growth of 5.6 percent in the German legal insurance segment. ARAG is growing at a rate of 3.2 percent in its international markets. The Netherlands, Italy, the US and Scandinavia have reported the best starts in the new business year.

On the basis of its success to date, ARAG is now focusing full attention on the next issue of vital importance to the insurance industry – the digital transformation process. The Düsseldorf insurance group took up this issue very early on and has been working with innovative drive and creative experimentation for the past five years to improve the services it offers its customers by introducing



digital solutions. “We’re firmly convinced that digitization is less a vital, epochal issue than a genuine stroke of luck for ARAG. It puts all of the trump cards in our hands and enables us to exploit our strengths as a smart, innovative and agile insurer to the fullest – for the very reason that we are not forced to mobilize a huge, sluggish mass organization,” noted Chairman and CEO Dr. Paul-Otto Faßbender, adding that ARAG can rely fully on its strengths as a mid-sized insurer in competition with large corporations.

ARAG will also be active in new international markets. The Group will be making a huge geographic leap and establishing a foothold in the Australian market this year. The market has been analyzed in detail over the past few months and offers promising opportunities for the development of legal insurance products and services.

For further information please contact

Klaus Heiermann

Member of the Board of ARAG Holding SE

Telephone: +49 (0)211 963-2219 · Fax: +49 (0)211 963-2220

E-mail: klaus.heiermann@arag.de · www.arag.com

ARAG is the largest family enterprise in the German insurance industry and has positioned itself as a versatile quality insurer. In addition to specializing in legal insurance, ARAG also offers its customers attractive, needs-based products and services from a single source in the German composite, health and old-age pension insurance segments. Active in 17 countries – including the US and Canada – ARAG is also represented by international branches, subsidiaries and shareholdings in numerous international markets in which it holds a leading position as a provider of legal insurance and legal services. With more than 4,000 employees, the Group generates revenue and premium income totaling 1.6 billion EUR.

ARAG SE ARAG Platz 1 · 40472 Düsseldorf **Chairman of the Supervisory Board** Gerd Peskes

Board of Management Dr. Dr. h. c. Paul-Otto Faßbender (Chairman) · Dr. Renko Dirksen · Dr. Matthias Maslaton · Werner Nicoll · Hanno Petersen · Dr. Joerg Schwarze **Seat and court of registry** Düsseldorf · HRB 66846 · VAT ID.: DE 119 355 995