ARAG

MACHT STARK.

ANNUAL REPORT 2009 CONSOLIDATED FINANCIAL STATEMENTS

Driven by quality.

ARAG Aktiengesellschaft

Driven by quality.

Success demands constructive strength. This is true as well for the development of ARAG from a legal insurance pioneer to an internationally established partner for legal matters and protection. It is our quality standard that unites and motivates us world-wide. This common denominator shapes all aspects of our performance, across all segments and at every ARAG location on the planet. Over the past 75 years, this has enabled us to preserve our entrepreneurial independence and sustainably expand our position as an internationally successful family company – creating a solid basis for future successes.

Overview

Key figures

ARAG AG – Consolidated Financial Statements

(in million euros)	2009	Change	2008	2007
Sales				
Gross premiums written	1,369.8	0.7%	1,361.0	1,342.2
Earned premiums for own account	1,356.8	1.3%	1,339.8	1,313.7
Sales revenues of non-insurance subsidiaries	43.0	5.1%	40.9	45.4
Costs				
Cost of claims for own account	909.6	5.8%	860.1	867.8
Claims ratio (basis: earned premiums)	67.0%	2.8% pts.	64.2%	66.1%
Cost of insurance business for own account	451.2	2.3%	441.3	430.7
Cost ratio (basis: earned premiums)	33.3%	0.4% pts.	32.9%	32.8%
Overview of profit and loss				
Underwriting result for own account	18.1	-71.3%	63.1	48.5
Income from capital investments	200.4	93.4%	103.6	192.4
portion included in underwriting result	136.0	32.8%	102.4	131.5
Other income/expenses	-36.0	14.9%	-42.3	-48.7
Profit on ordinary activities	46.4	110.9%	22.0	60.2
Net income before external components	21.0	452.6%	3.8	21.1
Underwriting reserves/earned premiums (net)	347.9%	5.3% pts.	342.6%	343.9%

Contents

ARAG companies in Germany and their products and services

ARAG Allgemeine Rechtsschutz-Versicherungs-AG
- Legal insurance for motorists, employment, personal and home-related issues, for businesses, managers, trades, self-employed professionals and associations

ARAG Allgemeine Versicherungs-AG
- Liability insurance
- Home effects insurance
- Accident insurance
- Accident disability pension
- Motor vehicle insurance
- TOP Special service package
- Building insurance
- Business insurance
- Sport insurance

ARAG Lebensversicherungs-AG
- Endowment insurance
- Term life insurance
- Private pension insurance (incl. Riester/Rürup plans)
- Mutual-fund linked pension insurance
- Disability, survivors' and accidental-death supplementary insurance
- Company pension plans

ARAG Krankenversicherungs-AG
- Private full-coverage health insurance
- Supplementary health insurance
- Statutory long-term care insurance
- Supplementary long-term care insurance
- Foreign travel health insurance

International Subsidiaries

ARAG Group
Headquarters
ARAG Platz 1
40472 Düsseldorf, Germany
www.ARAG.de

ARAG Austria
ARAG Allgemeine Rechtsschutz-Versicherungs-AG
Favoritenstraße 36
1041 Vienna
www.ARAG.at

ARAG Belgium
ARAG S.A.
Assurance en Protection Juridique
Place du Champ de Mars 5
1050 Brussels
www.ARAG.be

ARAG UK (Great Britain)
ARAG plc
9 Whiteladies Road
Clifton
Bristol BS8 1NN
www.ARAG.co.uk

ARAG Greece
ARAG-Hellas
Allgemeine Rechtsschutz-Versicherungs-AG
Fidippidou 2
11526 Athens
www.ARAG.gr

ARAG Italy
ARAG Assicurazioni Rischi
Automobilistici e Generali S.p.A.
Viale delle Nazioni 9
37135 Verona
www.ARAG.it

FOYER-ARAG (Luxembourg)
FOYER-ARAG S.A.
Protection Juridique/Rechtsschutz
12, rue Léon Laval
3372 Leudelange
www.assurancesfoyer.lu

ARAG Netherlands
ARAG Nederland
Algemene Rechtsbijstand
Verzekeringmaatschappij N.V.
Kastanjelaan 2
3833 AN Leusden
www.ARAG.nl

HELP Forsikring AS (Norway)
Holbergsgate 21
0166 Oslo
www.help.no

ARAG Portugal
ARAG S.A. – Sucursal em Portugal
Rua Julieta Ferrão 10
Planta 13, Oficina A
1600-131 Lisbon
www.ARAG.pt

ARAG Slovenia
ARAG Zavarovanje Pravne
Zaščite d.d.
Železna Cesta 14
1000 Ljubljana
www.ARAG.si

ARAG Spain
ARAG Compañía Internacional de
Seguros y Reaseguros S.A.
Roger de Flor 16
08018 Barcelona
www.ARAG.es

AXA-ARAG (Switzerland)
Rechtsschutz AG
Birmensdorferstraße 108
8003 Zurich
www.AXA-ARAG.ch

ARAG® North America Inc.
400 Locust Street, Suite 480
Des Moines, Iowa 50309, USA
www.ARAGGroup.com

Structure of the ARAG Group

Asset and Shareholding Management	**ARAG Aktiengesellschaft**						
Operative Group Holding	**ARAG Allgemeine Rechtsschutz-Versicherungs-AG**						
	Central Group Functions	**Group Finances**	**Group Risk Management/ Controlling**	**Group Sales National**	**Underwriting/ Services**	**Group IT/ Business Organization**	**Group International**

Operative Insurance Companies	**ARAG Allgemeine Versicherungs-AG** Composite Insurance	**ARAG Lebens-versicherungs-AG** Life Insurance	**ARAG Kranken-versicherungs-AG** Health Insurance	**Interlloyd Versicherungs-AG** Brokerage Specialist	**International Companies** Legal Insurance/ Legal Services
Service Companies	**ARAG IT GmbH** IT Services for the ARAG Group	**Cura GmbH & Co. KG** Insurance Agency Firm	**ARAG Service Center GmbH** Emergency Telephone Service	**Interiura International AG*** International Claims Settlement	

* Divested as of 1 January 2010

Profile of the ARAG Group

An overview ARAG is the internationally recognized, independent partner for legal matters and protection. From its first day onward ARAG, the legal insurance pioneer, has always seen itself as a partner of its customers. Today, ARAG the quality insurer applies this understanding to all our insurance services: our flexible, high-quality, high-performance offerings comprising prevention, consultation and cost reimbursement ensure that customers can depend on us for solution paths and security across all segments – even in difficult life situations.

As the largest family enterprise in the German insurance industry, the ARAG Group is totally committed to maintaining its entrepreneurial independence and continuity. This assures the Group's stability, opens up long-term development perspectives and enables greater entrepreneurial freedom.

In the most recent reporting period, ARAG, with just under 3,500 employees, generated a sales and premium volume of more than € 1.4 billion. ARAG Allgemeine Rechtsschutz-Versicherungs-AG is responsible for the strategic management of the Group and oversees the operational legal insurance business both domestically and internationally. All other insurance companies and the ARAG service companies are grouped below this holding level, and each bears responsibility for the operative management of its respective line of business. As the asset-managing holding company, ARAG AG represents the formal legal umbrella of the ARAG Group with its direct and indirect subsidiaries.

Legal insurance The ARAG Group is one of the world's two leading legal insurance specialists. ARAG Rechtsschutz actively shapes the markets in this sector both domestically and abroad. The company most recently redefined the German market with its innovative new legal insurance products. Also, the service quality of ARAG's attorney telephone hotline – a standard feature included in all ARAG legal insurance as well as other rates – was rated "very good" by German inspection and certification agency TÜV. The Group is successfully exploiting the know-how gained through decades of experience in its home legal insurance market, in twelve other European countries and in the USA. More than half of the premium income of the legal insurance companies is earned in the international arena.

Composite insurance ARAG Allgemeine is the Group's composite insurer. In this hotly contested market, the company is flourishing as a strong provider of property, liability, accident and motor vehicle insurance. TÜV certified the quality of its claims service with the mark 1.40 (very good) – the highest of any company in the industry to date. In addition, ARAG Allgemeine is Europe's largest sport insurer, covering around 21 million leisure and competitive athletes. The subsidiary Interlloyd supplements the Group's portfolio as a brokerage specialist in the private customer segment.

Personal insurance ARAG Kranken and ARAG Leben round out the Group's offerings with new ideas in the market for private health insurance and private retirement saving. ARAG Kranken is one of the Group's fastest growing segments, while remaining tightly focused on profitability. Its attractive, high-performance offerings regularly place at the forefront of product and company ratings. With its family of mutual fund-linked pension insurance products, ARAG Leben has established a customer-oriented retirement savings offering on the market. The flexible fund-linked policy also places at the top of performance comparisons.

75 years of legal insurance: ARAG, an international family company

On 24 August 1935, Heinrich Faßbender authorized the entry of ARAG as a company in the Commercial Register. He would certainly be highly gratified today to know that his fledgling enterprise has grown to become one of the world's largest legal insurers. A look at ARAG's history reveals just how much the Company is characterized by its openness to change. Our focus is clearly on the future. This is the basis for the unmistakable identity of ARAG that has grown over 75 years.

1935

Heinrich Faßbender, attorney, notary and entrepreneur, founds the legal insurer ARAG; the company is entered in the commercial register on 24 August 1935.

1949

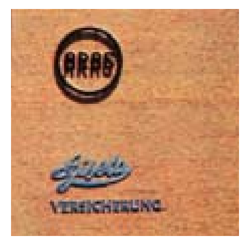
As a centrist politician, Heinrich Faßbender was considered politically undesirable under National Socialism. ARAG receives no insurance license for the duration of the war. It is not until 1949 that the responsible occupation authority grants the necessary license.

1962

The Company enters the international sphere with the founding of ARAG Netherlands. Further market launches, for example in Italy, are undertaken in the years immediately following.

1965

ARAG enters the life insurance business with Gisela Allgemeine Lebens- und Aussteuer-Versicherungs-AG in Munich.



1984

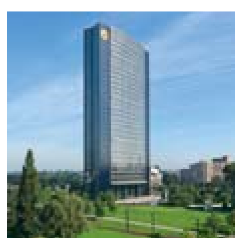
Offerings are expanded to include health insurance with acquisition of Bavaria Krankenversicherungs-AG in Munich.

1989

The great leap into North America: ARAG enters the US market by acquiring Midwest Legal Services and renames it ARAG Insurance Company.

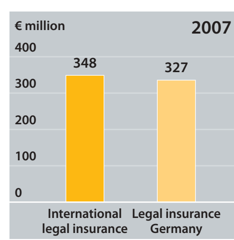
1998

Dr. Paul-Otto Faßbender acquires the majority of ARAG's shares. This ends a long-running dispute between family shareholders.



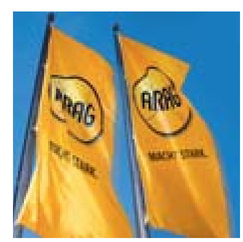
2001

Employees take up occupancy in the ARAG Tower in the north of Düsseldorf. This imposing office structure was planned and constructed by the Düsseldorf architectural firm RKW in association with the London architect Lord Norman Foster.



2007

For the first time in the Company's history, the premium revenues of ARAG's international subsidiaries exceed those of ARAG's German legal insurance business.



2010

The ARAG Group solidly prevails in the face of the most severe global recession since the end of the Second World War and doubles its profit on ordinary activities in the extreme year 2009.

Foreword

Dr. Paul-Otto Faßbender

2009 is a year that will surely go down in history. It was a year of economic extremes. At its outset, no company could be certain of surviving the free fall into global recession. The only certainty was that the gathering storm would pitilessly lay bare any and all entrepreneurial weaknesses.

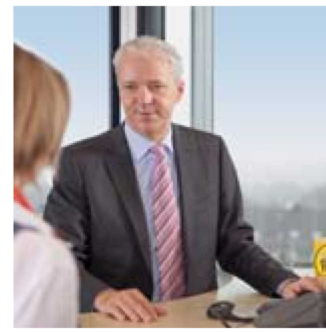
In the 2009 fiscal year under review, the ARAG Group more than doubled its profit on ordinary activities and slightly increased its premium revenues. The recession was an important milestone for our enterprise. We were able to prove that we have our domestic and international business well in hand. ARAG has a proven, robust business model that enabled us to successfully steer the Group through a hundred-year scenario. All employees behaved in these turbulent months with deliberation and discretion and impressively showcased their abilities.

ARAG is in good shape. The Company does not at all look like it is about to celebrate its 75th birthday. 75 years of entrepreneurial independence in the financial services industry is a remarkable achievement. And ARAG has remained young. After all, our emphasis is not so much on tradition as on openness to change. Every decision in our corporate history has always been intended to actively shape the future of the Company over the long term. And we are continuing on this path. Accordingly, we are well prepared for the aftereffects of the recession that are continuing to roil the markets in 2010. Our sound finances and modern, extremely high-performance product portfolio form the cornerstone for ARAG's continuing successful long-term development.

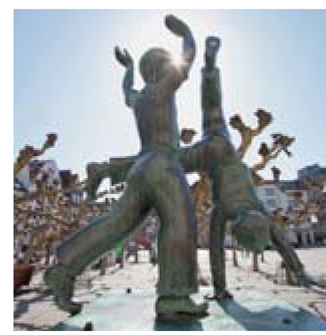
Dr. Paul-Otto Faßbender

Quality is the motor that drives us all.

Eckhard Rode
Assistant head,
team 3, Legal Service
Age: 51
ARAG Rechtsschutz
(Düsseldorf)



"In claims handling, customers recognize the value of our service immediately. This is what decides whether they choose to continue to be insured by ARAG."



It is at once our binding value standard and our compass: quality. At the same time, every employee contributes his or her knowledge and skills to realize ARAG's quality standard on behalf of our customers. At every location.

Every day, Eckhard Rode, assistant team head in Legal Service, takes ARAG's pulse. "In claims handling," he says, "customers recognize the value of our service immediately. This is what decides whether they choose to continue to be insured by ARAG." When Eckhard Rode and his team of 20 support customers in systematically tackling their legal problems and resolving them for the future, they avoid subsequent disputes and higher costs for customers. In doing so, they not only meet their own quality standards but above all those of ARAG's customers. But quality is not achieved all by itself. The tests that Legal Service must pass every day require ongoing acquisition of new knowledge and the ability to achieve good results together. The results have been certified by the German inspection and rating agency TÜV: ARAG Legal Service has once more earned a top rating with the mark "very good".

Elena Rovelli
Coordinator of sales-partner hotline ARAG Risolve
Age: 42
ARAG Italy *(Verona)*

In 1994, Elena Rovelli turned up for her job interview with a fever of 39 °C (102 °F) – that's how much she wanted to work for ARAG Italy. When she was ultimately hired, she felt privileged: a feeling that she still associates with her work on the sales-partner hotline ARAG Risolve.

90 percent of the cases handled by ARAG Risolve in Verona can be resolved without specialist support. Such statistically measurable successes are due to the creativity, flexibility and optimism – and also the persistence and patience – of people like Elena Rovelli.

The trained early-childhood educator is the coordinator for the section ARAG Risolve in the partner and agency support unit of the Sales department. At ARAG, she profits every day from her ability to move and motivate people: she professionally supports 500 brokers and agents.

Her ability to convince derives from her sincere enthusiasm for the Group's products and services. Many people who are close to her were able to surmount difficult situations thanks to a policy from ARAG. "Once you understand the advantages and the value of ARAG insurance," she says, "it's easy to invest in your own peace of mind."

"Once you understand the advantages and the value of ARAG insurance, it's easy to invest in your own peace of mind."

"We believe in our success and are aware of the relationship between our work and the corporate objectives."

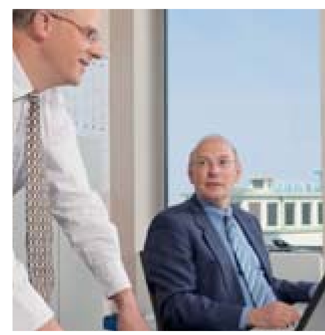
Tone Schirmer Ingjer
Key account manager
Age: 28
HELP Forsikring AS *(Oslo)*

In the right job in the right place at the right time: at insurance pioneer HELP Forsikring AS in Oslo, Tone Schirmer Ingjer is working to increase the sales volume constantly, month after month.

Naturally, quality needs a suitable environment if it is to flourish and grow. ARAG sees attractive development opportunities in Scandinavia and has secured its place on the ground floor through its commitment in Norway. Here, HELP Forsikring AS has the reputation of an industry pioneer and niche specialist. “We are the only company that offers legal insurance for landlords,” notes key account manager Tone Schirmer Ingjer. “And even if competitors do try to take a share of this segment someday, we can always profit from the know-how and experience of our strong parent company.” And she too comes with one-of-a-kind “features” that open the door to a unique career with ARAG: thanks to her legal training and many years of experience as a key account manager, she possesses the ideal prerequisites for advising her customers, real estate brokers, and furnishing them with convincing arguments.

Tone Schirmer Ingjer experiences quality every day in her interactions with colleagues: “We believe in our success and are aware of the relationship between our work and the corporate objectives.”

Vincent Locus
Product developer
Age: 54
ARAG Belgium *(Brussels)*



Whether developing a new product or keeping a promise: when product developer Vincent Locus takes on a project, he takes it on all the way.

For over 40 years, ARAG Belgium has been profiting from its profile as a flexible medium-sized enterprise. Its legal insurance products are sold almost exclusively through brokers. “Consequently, the brokers are our first point of contact. They write the business and are at the same time our best multipliers,” says Vincent Locus, who pays special attention to the qualification and training of the brokers.

Those who understand their business need not be afraid of competition – they drive it. At ARAG S.A. in Brussels, Vincent Locus develops high-performance, innovative products that regularly win awards – and inspire the competition.

For instance, in 2009 ARAG S.A. won the Belgian insurance industry’s DECAVI Trophy for the product “Family Mobility All In”.

"The brokers are our first point of contact. They write the business and are at the same time our best multipliers."

Management Report

Development of premium income and sales

(in million euros)	**2009**	2008	2007
Legal insurance	**685.6**	684.6	674.6
share domestic	307.1	317.3	327.0
share international	378.5	367.2	347.6
Composite	**228.2**	236.5	237.1
share domestic	190.4	199.2	203.6
share international	37.8	37.3	33.5
Life	**200.6**	206.0	212.5
Health	**255.4**	233.9	218.0
Service companies	**43.0**	41.0	45.4

- ARAG is sound and successful in an extreme economic environment
- Profit on ordinary activities more than doubles
- Significant increase in cost of claims in legal and health insurance segments
- International business and health insurance show sustained growth
- Group holds costs steady in spite of adding staff

ARAG Group Management Report for Fiscal Year 2009

I. Business and Market Conditions

The overall economic development of the last fiscal year was characterized by the aftershocks of the severe banking and financial market crisis of 2008. Extensive fiscal and monetary actions were necessary on a global basis to ensure the stability of financial markets. In spite of 'this, however, the crisis in the financial sector spread to the real economy. This pushed the global economy into the most severe recession since the end of the Second World War. In Germany, this development caused gross domestic product to contract by 5.0 percent in 2009, according to the German Federal Statistical Office.

The global recession and the uncertainty of market participants with respect to an eventual economic recovery resulted in a sharp decline in both foreign and domestic demand for investment goods. As early as the end of 2008, numerous countries responded to the recession by launching stimulus programs. This stimulus policy was continued in 2009, at great expense.

In its annual opinion, the German Council of Economic Experts found that German exports of goods and services declined by 14.7 percent and capital investment of private enterprises fell by 20.9 percent. Tax cuts and large-volume direct economic stimulus limited the decline in gross domestic product while providing incentives for private households to consume.

In this turbulent environment, the insurance industry proved to be a stabilizing factor. In its 2009 Financial Stability Report, the German Bundesbank noted that no German insurance company had had to seek recourse to government assistance during the financial crisis. At the same time, the insurance industry contributed to stabilizing the financial markets by taking part in the rescue package for Hypo Real Estate Bank.

In the last fiscal year, the demand for insurance products remained stable overall. The German Insurance Industry Association GDV reported that premium revenues for 2009 climbed by 4.1 percent over the previous year. The two most important factors here were life insurance, which posted growth of 7.1 percent on account of a significant increase in one-time premium business, and health insurance with 3.8 percent. Premiums in the property and accident insurance segments remained stable. The insurance industry thus follows the general business cycle to only a limited extent, and proves to be resistant to the effects of the financial market crisis. However, the insurance industry is facing major challenges in view of the recovering but still uncertain economic situation.

The future economic development, the appropriateness of the pullback strategies of national governments and central banks from their support of the financial system and the progress toward creating efficient financial market regulation all have a large influence on capital markets. Particularly the duration of the current low-interest phase, the speed of change in the interest rate level and inflation rate and the changing investment preferences of private households determine the general conditions for the insurers as long-term investors.

Development of ARAG within the overall economic environment The ARAG Group showed itself to be sound and strong under extreme economic conditions. The Company posted a gain in earnings, doubling profit on ordinary activities. The Group thus demonstrated the performance capability of its domestic and international business model in the global recession.

ARAG was able to increase premium revenues in its insurance business slightly, to € 1.37 billion. In spite of the dramatic impact of the global economic crisis, the Group's international business proved to be storm-proof and increased its premium revenues by 3.1 percent. In Spain and Italy, ARAG remains the market leader in legal insurance products. In the US, the Company firmly holds second place in the legal insurance market.

The health insurance business shows a strong growth dynamic in the year under review. It once more posted above-average growth of 9.2 percent.

Overall, ARAG could not escape the effects of the recession. Over the course of the downturn, ARAG became an important point of contact for its customers. Our legal insurance customers in Europe utilized their insurance coverage in particular in the area of employment law and in connection with investment advising for financial products. In the German market alone, the number of employment law cases jumped dramatically by close to 16.2 percent in the fiscal year under review. As a consequence, the direct effects of the economic crisis on European consumers depressed the underwriting result on account of the significantly greater costs of claims.

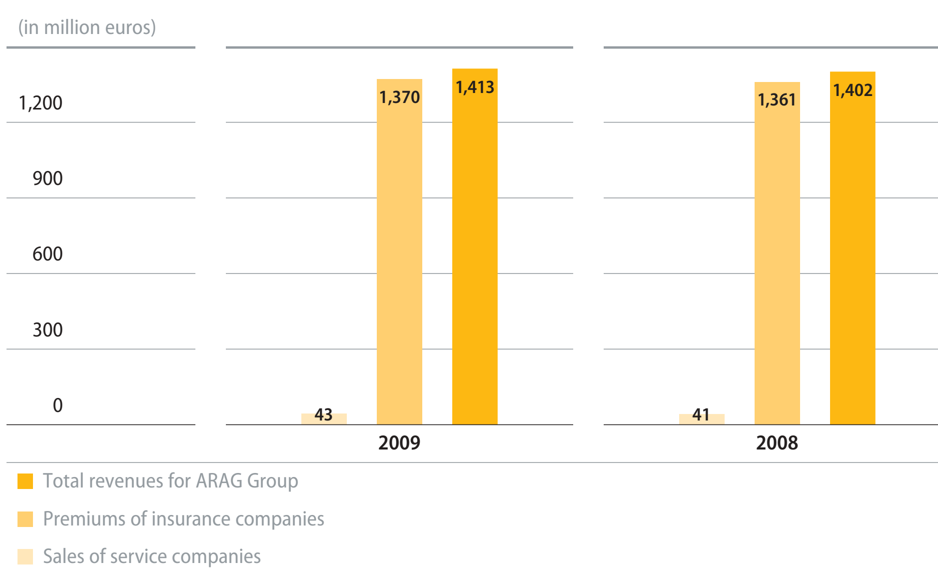
In spite of adding staff within the Group, ARAG kept its costs under tight control. At 33.3 percent, the net cost ratio remained virtually unchanged over the previous year. Pure administrative costs dropped by 3.3 percent.

In all, the ARAG Group looks back on a satisfactory and successful fiscal year. The Company thus offers its customers a high level of soundness and stability. ARAG's strong performance and its modern, extremely powerful product portfolio give the Company the resources it needs for further successful development, which will continue to be characterized by our proven conservative business principles.

II. Earnings Situation

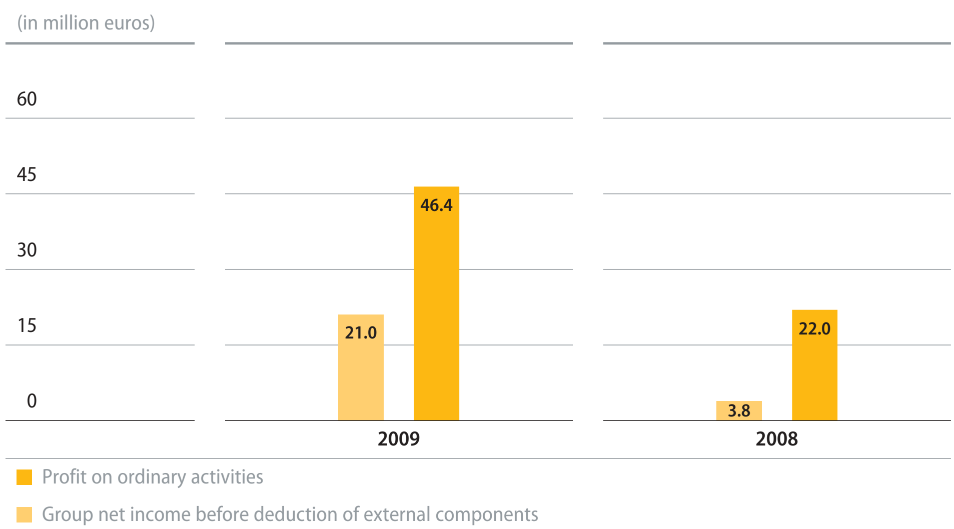
Premiums/sales In the year under review, the premium revenues of the insurance subsidiaries of the ARAG Group increased by 0.7 percent, from € 1.36 billion to € 1.37 billion, in spite of the extreme global economic events. Once again, the international legal insurance business and the health insurance business generated the greatest growth. The total revenues of the Group, including sales of the service companies, amounted to € 1.41 billion, following € 1.40 billion in the previous year.

Total revenues



In all, the Group's portfolios comprise some 5.8 million policies. Our international business accounts for 2.3 million of these. The domestic sport business (composite segment) comprises a further 21.0 million insured risks, which enjoy the benefits of ARAG insurance cover through 15 state sport associations.

Group performance



Earnings situation The earnings situation of the German and international insurance companies in the fiscal year under review was clearly influenced by the recovery on the financial markets, but also by the extreme consumer-level consequences of the financial crisis of the previous year.

Overall, the ARAG Group profited from its solid international orientation and its product and segment mix. The effects of economic developments produced a particular spike in claims respecting employment legal insurance and legal insurance in connection with financial advising for financial products in both the domestic and European legal insurance business, which weighed on earnings. Due to this direct recession effect, the underwriting result, at € 18.1 million, fell short of the previous year's exceptionally good mark of € 63.1 million. The income from capital investments, which once again increased strongly over the previous year, more than compensated for the weaker underwriting result, so that the Group achieved its sustained earnings strength. Along with the noticeable improvement in the other income items, profit on ordinary activities more than doubled over the previous year, from € 22.0 million to € 46.4 million.

The cost of insurance claims rose from € 860.1 million to € 909.6 million. This increase is due in part to the development in employment and investment advising legal insurance mentioned above and in part to the strong growth in the health insurance segment. The Group's claims ratio increased accordingly, from 64.2 percent to 67.0 percent. At 33.3 percent, the cost ratio for 2009 once more remained practically unchanged from the previous year's level (32.9 percent). Due to the greater cost of claims, the Group's combined ratio again increased over the previous year, to 100.3 percent (previous year: 97.1 percent).

In the year under review the return on capital investments increased by 93.4 percent to € 200.4 million, following € 103.6 million in the previous year. This increase is due primarily to the recovery on the capital markets and the associated write-ups, whereas in the previous year write-downs totaling € 98.9 million were necessary.

Reduced one-time expenditures for the realization of optimization actions were the reason for the improvement of other income/expenses, which showed a net expense of € 36.0 million as opposed to € 42.3 million in the previous year.

Taxes incurred in the fiscal year under review, including latent tax effects, totaled € 25.3 million. This high tax rate reflects the tax charge on the high-earning Group subsidiaries and the concurrent lack of international offsetting of earnings for tax purposes. The fact that parts of claims reserves were excluded from consideration for income tax purposes also weighed on profits. After deduction of taxes, net profits after deduction of external components came to € 21.0 million, a significant improvement over € 3.8 million for the previous year.

III. Financial Situation

The purpose of the financial management and the capital requirements of the Group is to ensure that the obligations arising from our insurance activities can be fulfilled at any time, and that the regulatory requirements respecting solvability set forth in Art. 53c of the German insurance oversight statute VAG and the regulations issued appurtenant to this respecting the capital requirements for insurance groups are not only met, but that a significant surplus coverage is established as well. Furthermore, the Group constantly strives to provide for risk capital that is adequate to comply with the expected requirements of Solvency II at all times. The conservative reserves policy of the ARAG Group was consistently pursued throughout the year under review. The underwriting reserves were increased by an additional 2.8 percent, from € 4.59 billion to € 4.72 billion. Consequently, the ratio of underwriting reserves to earned premiums grew by 5.3 percentage points, from 342.6 percent to 347.9 percent.

In comparison with the previous year, the Group's own funds and guarantee funds developed as follows:

Development of own funds

(in million euros)	2009	2008
Subscribed capital – paid in	200.0	200.0
Reserves	28.5	35.8
Capital shares of minority shareholders	30.3	32.3
Group net profit after external components	18.8	1.3
Total equity	**277.6**	**269.3**
Lower-ranking bond	50.0	50.0
Own funds	327.6	319.3
Underwriting reserves	4,720.5	4,590.5
Guarantee funds	**5,048.1**	**4,909.8**

The guarantee funds are covered by capital investments in the amount of € 5,097.4 million (previous year: € 5,002.2 million). To ensure that it can meet all payment obligations from its insurance policies at any time, the Group has at its disposal, in addition to current account balances at financial institutions amounting to € 69.5 million (previous year: € 54.5 million), in particular capital investments that can be liquidated on the capital and financial markets on short notice.

For details respecting the scope of capital investments and investments in intangible assets undertaken in the fiscal year and the development of the Group's liquidity in the fiscal year under review, please refer to the Statement of Cash Flow on page 79.

IV. Asset Situation

The capital investment portfolio of the Group increased in fiscal 2009 by 1.9 percent, from € 5,002.2 million to 5,097.4 million. The current values of these capital investments amounted to € 5,300.9 million as of the day of accounting.

The capital investment structure in comparison to the previous year is as follows:

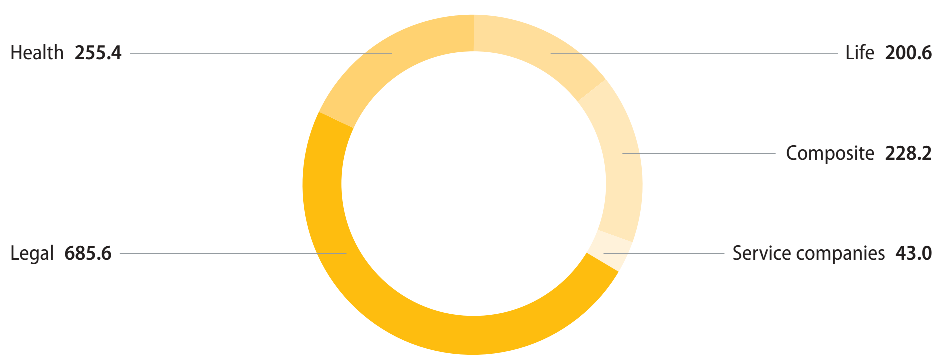
Type of capital investment

(in million euros)		2009		2008
I. Real estate and buildings	197.3	3.9 %	170.5	3.4 %
II. Shares in affiliated companies and holdings	87.3	1.7 %	88.0	1.8 %
III. Lending to affiliated companies and holdings	3.4	0.1 %	3.8	0.1 %
IV. Stocks and investment fund shares	1,966.4	38.6 %	1,900.1	38.0 %
V. Bearer bonds	445.3	8.7 %	374.3	7.5 %
VI. Mortgages receivable and other similar rights	217.7	4.3 %	237.9	4.7 %
VII. Registered debentures, promissory notes	1,867.1	36.6 %	1,836.6	36.7 %
VIII. Bank deposits	168.3	3.3 %	236.6	4.7 %
IX. Other lending	61.0	1.2 %	66.9	1.3 %
X. Other capital investments	78.9	1.5 %	82.6	1.7 %
XI. Portfolio assets	4.7	0.1 %	4.9	0.1 %
	5,097.4	**100.0 %**	**5,002.2**	**100.0 %**

V. Segment Reporting

Premiums and revenues by segment 2009

(in million euros)



The Group comprises the operational segments
- Legal insurance business
- Composite insurance business
- Life insurance business
- Health insurance business
- Services and asset management

Gross premium revenues

(in million euros)	2009	2008
Legal insurance	686	685

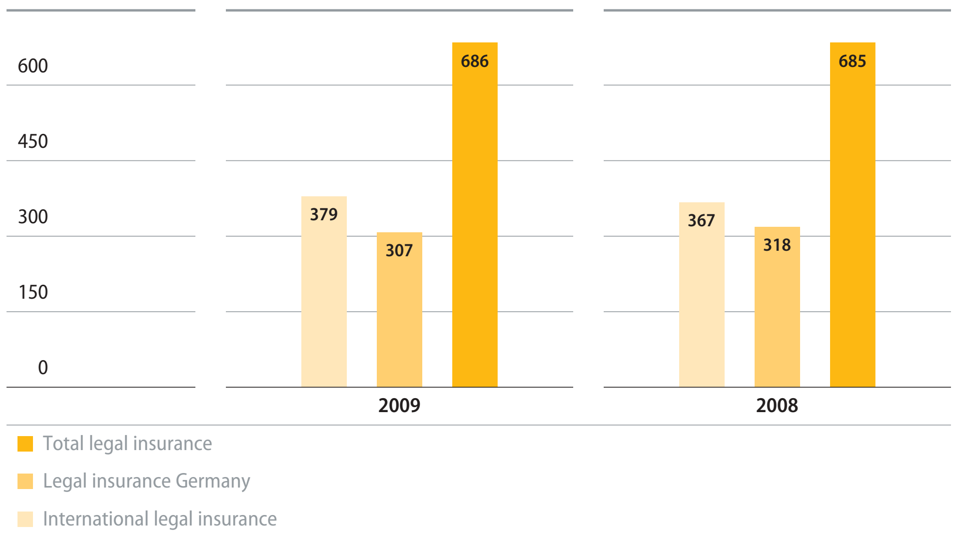
Legal insurance business Premiums in the legal insurance segment improved slightly in the fiscal year under review. Gross premiums written increased by 0.2 percent from € 684.6 million to € 685.6 million. The international legal insurance business increased its share of premiums further compared to German legal insurance business, cementing its role as the largest line of business within the Group. This underscores the successful internationalization course that ARAG has been consistently pursuing for many years.

The cost of insurance claims in the entire legal insurance segment rose markedly, from € 364.4 million to € 414.3 million. The reason for this is the large increase in employment legal insurance cases and claims in connection with legal insurance for faulty advising on capital investment products in both the German and European insurance business. This claim trend is a consequence of the financial and economic crisis that began in 2008. The claims ratio increased correspondingly, from 53.9 percent to 61.0 percent. Following a profit of € 29.5 million in the previous year, legal insurance posted an underwriting loss of € 13.6 million.

The income from capital investments of the entire legal insurance segment trended in the opposite direction, a very satisfactory development. Following on a loss of € 6.0 million due to the financial market crisis, capital investments returned to their past high levels, more than compensating for the underwriting loss with € 46.5 million. Profit on ordinary activities in legal insurance thus improved overall and amounted to € 4.6 million, as opposed to a loss of € 8.9 million for the previous year.

Uninterrupted growth in international legal insurance business

(in million euros)



With its renewed increase in premium revenues, the international legal insurance segment is underscoring its role as a growth driver in the Group. The gross premiums written in this area, today the Group's largest line of business, grew by 3.1 percent, from € 367.2 million in the previous year to € 378.5 million. Thus, 55 percent of premium revenues in the legal insurance segment were generated outside of Germany. An additional € 37.8 million in premium revenues are attributable to the comparable special service package business of ARAG Spain, which was booked under the composite insurance sector. Including this figure, total revenues achieved in the international legal insurance business amounted to € 416.3 million. The largest single subsidiaries are active on behalf of ARAG in Spain, the Netherlands and Italy. The combined ratio in international legal insurance deteriorated from 95.6 to 102.9 percent on account of the effects of the financial market crisis cited above.

As of the end of the fiscal year under review, ARAG assumed the entire legal insurance business of a major Italian primary insurer. This will result in a further significant increase in the premium volume of the international legal insurance business in 2010.

The general parameters remain challenging for the German legal insurance business of the ARAG Group. In the fiscal year under review, premiums declined by 3.2 percent. Gross premiums written dropped from € 317.3 million to € 307.1 million. This decline is a consequence of the extremely mature German insurance market and the great competitive pressure. However, after a turbulent phase, the German core sales team regained traction and significantly improved its production performance. Production in German legal insurance increased by 20 percent across all sales channels. However, the production was not yet sufficient to compensate for expiration cancellations in particular.

The ARAG Group continues to derive a sustained benefit from the comprehensive optimization actions carried out in German legal insurance in past years. Thanks to the efficiency improvements, which continued to unfold their full effect throughout 2009, the net cost ratio was reduced further slightly, from 36.8 percent in the previous year to 36.6 percent in the fiscal year under review. The German certification agency TÜV affirmed the exceptionally high service quality of the initial attorney telephone consultation of ARAG Rechtsschutz for 2008 and 2009. ARAG is the first insurer to earn the mark "very good", thus establishing itself as the benchmark leader for telephone consultation services.

Gross premium revenues

(in million euros)	2009	2008
Composite insurance	228	237

Composite insurance business In the composite segment, the ARAG Group was unable to decouple itself from the lack of growth drivers in the market for property and accident insurance and the continued cut-throat price competition. Premium revenues in this segment totaled € 228.2 million (previous year: € 236.5 million). In the year under review, the accident and liability segments suffered particular declines. By contrast, the special sport insurance segment and the broker specialist Interlloyd Versicherungs-AG, a wholly-owned subsidiary of ARAG Allgemeine, fared well in their highly competitive businesses and expanded premium revenues further.

The legal insurance-like special service package business of ARAG Spain, which is booked in the composite segment, increased over the previous year from € 37.3 million to € 37.8 million, a further 1.3 percent gain.

The satisfactory claims development due to the absence of major and catastrophic losses as well as the stabilization of the cost ratio resulted in a further increase in the underwriting result before fluctuation reserve, from € 19.3 million in the previous year to € 22.1 million, of which € 15.7 million remain after transferring € 6.4 million to the fluctuation reserve. After a virtual doubling of income from capital investments and under consideration of other income/expenses, the composite business contributed a profit on ordinary activities of € 28.2 million to the Group net profit (previous year: € 33.7 million).

Gross premium revenues

(in million euros)	2009	2008
Health insurance	255	234

Health insurance The health insurance business of the ARAG Group underscored its role as the strongest-growing segment in Germany in the year under review. Gross premium revenues grew from € 233.9 million in the previous year to € 255.4 million. This 9.2 percent increase in premiums once more greatly exceeds the industry average for private health insurers. On the benefits side expenditures for policy holders totaled € 227.3 million, which is an increase of 11.3 percent compared with the previous year. The strong growth in new business also resulted in an increase in commissions and administrative costs, which at € 44.6 million were 16.3 percent higher than in the previous year. Income from capital investments increased by more than € 10 million, from € 22.7 million to € 34.0 million, as unlike in the previous year no further effects of the financial market crisis needed to be taken into account. After consideration of the other expense and income items and transfer to the provisions for premium rebates, pre-tax earnings of € 6.0 million were achieved, in line with planning targets. This corresponds to an improvement of € 0.9 million over the previous year.

The excellent economic condition of ARAG Krankenversicherung is also reflected in the assessment of the insurance-industry rating agency ASSEKURATA Assekuranz. This organization reaffirmed its rating of "A" (good) in a follow-on company rating and recognized not only the high customer satisfaction but above all the "excellent security situation" of the company.

Gross premium revenues

(in million euros)	2009	2008
Life insurance	201	206

Life insurance business The premium revenues written in the life insurance segment declined by 2.6 percent, totaling € 200.6 million following € 206.0 million in the previous year. Once again, as in the entire industry, regular maturity values remained at a high level. However, new business increased, clearly bucking the market trend. While the sector as a whole posted a decline of 15.4 percent, new regular premium policy business increased by 0.5 percent. Noticeably greater activity is apparent in sales through brokers, who are becoming increasingly convinced of the high quality of ARAG's mutual fund-linked policies.

On the benefits side, expenses for insurance claims as well as the change in the underwriting reserve over the previous year resulted in an increase in expenditures of € 0.5 million to € 251.1 million, a total of 0.2 percent. Commissions and administrative costs totaled € 41.0 million as compared to € 38.7 million in the previous year, an increase of 5.9 percent. By contrast, income from capital investments grew from € 79.1 million to € 101.3 million, as unlike in the previous year no further effects of the financial market crisis needed to be considered. After consideration of the other expense and income items as well as the tax charge, a gross profit of € 32.3 million was achieved, which enabled a transfer to provisions for premium rebates of € 27.2 million, almost € 10 million more than in the previous year. A profit on ordinary activities in the amount of € 8.3 million remained for the Group net profit, as opposed to a loss of € 3.2 million in the previous year.

Sales revenues

(in million euros)	2009	2008
Service companies	43	41

Services and asset management The ARAG Group bundles all non-insurance activities under this heading. In addition to the holding companies, of which ARAG AG is one, this segment comprises asset management and housing development companies, as well as wholly owned IT consulting firms. The former insurance agency subsidiary of the Group, Cura GmbH & Co. KG, is also included in this segment. The sales revenues of these non-insurance companies from external third parties and the other Group segments decreased from € 122.9 million in the previous year to € 84.0 million, as effective 2009 Cura GmbH & Co. KG is no longer active as an agent for personal and composite insurance business. After adjusting for intra-Group revenues of the service companies, external sales amounted to € 43.0 million as opposed to € 41.0 million in 2008.

Loss on ordinary activities continued flat at € 2.2 million, as further start-up losses were incurred in the British agency and service company.

VI. Product Development, Employees and Other Performance Factors

Product development In the fiscal year under review as well, the ARAG Group, the internationally recognized independent partner for legal matters and protection, remained focused on enhancing and expanding its insurance offerings through customer-oriented products.

In this regard, ARAG is devoting even more effort to meet consumer demand for products that can be structured individually and flexibly, providing them with additional service and prevention offerings that are unique on the market. In the core legal insurance segment, the completely new Aktiv product line was developed starting mid-2009, with which ARAG will once again redefine the home German market in a major way.

The unique ARAG Aktiv product generation has been expanded to include mediation as an additional extra-judicial conflict resolution element. The ARAG Group is thus complementing its already established conflict resolution elements such as the ARAG Online Legal Service and the initial attorney telephone consultation with a further important component. This is ARAG's response to the changing conflict behavior of consumers, who want to resolve conflicts at an early stage and not necessarily in court. Additionally, the new product profile, the ability to mix and match individual legal insurance modules and the extremely attractive price-performance relationship adds even more value. Launched at the start of the first quarter of 2010, the innovative ARAG Aktiv legal insurance has been received extremely well by the market. Through mid-April alone, the new legal insurance product was sold more than 18,000 times. In addition to the ARAG Aktiv-Rechtsschutz Komfort product, ARAG is offering equally specialized Aktiv legal insurance products for mobility as well as for tenants and landlords/building owners. The first product ratings attest to the excellent quality: In a price-performance comparison of the German magazine Focus-Money (Versicherungsprofi 5/2010), ARAG Aktiv-Rechtsschutz Komfort took second place in its very first ranking.

A further innovation in the German market was rolled out in the fiscal year under review. Full-coverage customers of ARAG Krankenversicherungs-AG now receive a high-performance ARAG patients legal insurance for medical malpractice at no extra premium. As of the start of 2010, ARAG is the first private German health insurer ever to insure its customers against such a legal insurance risk at no extra charge.

The new ARAG Individual legal insurance product for self-employed persons, rolled out just before the fiscal year under review, greatly exceeded expectations. The comprehensive spectrum of preventative services has unreservedly convinced customers, as these features offer self-employed persons valuable aid and support particularly when times are difficult. For example, ARAG is the first insurance provider to expand receivables management to include the judicial dunning process. The legal insurance offering also includes business mediation and all established ARAG preventative offerings at no extra premium.

A further target group product, Expat Legal Plus, was also rolled out in 2009. This product is an enhanced legal insurance package especially for Germans seconded abroad that offers additional coverage for employment-related disputes. The product was developed in association with the German Expatriates Association BDAE as our cooperation partner. A legal insurance product for expatriates, Expat Legal, was initially rolled out in 2008; this offers expatriates and family members remaining behind in Germany career and private coverage and security.

In the fiscal year under review, the composite segment developed a new generation of a hybrid product that effectively rounds out the new ARAG Aktiv product assortment. ARAG Recht&Heim Aktiv has been considerably expanded, and covers all basic life areas. In addition to innovative Aktiv legal service benefits, this product includes numerous new benefits and services such as private liability coverage, household effects and optional building insurance. Innovative offerings such as psychological "first aid" after a break-in or glass breakage coverage at no extra premium are included. Also launched in the first quarter of 2010, this new Aktiv product has been very well received by the market.

The new ARAG Privat liability product of ARAG Allgemeine, which debuted in July of the fiscal year under review, also enjoys great demand. This rate also placed among the top 10 out of over 200 rates in a product rating of German consumer affairs magazine Finanztest. Designed in three product variants, ARAG liability insurance offers customized coverage for each customer's individual private life space. Additionally, the target groups were expanded, so that ARAG now offers special features for single parents and persons over age 50. Losses are covered world-wide up to € 20 million. As an additional service, all product variants also include the ARAG Online Legal Service. In the event of a claim, ARAG policyholders can depend on the certified excellent service quality of ARAG Claims Service. The German certification agency TÜV Saarland ranked the service quality of ARAG's composite insurer "very good" – the top mark – in the first quarter of the fiscal year under review. This means that a further ARAG subsidiary, in addition to ARAG Rechtsschutz, has had its excellence certified. With the numerical score of 1.40, ARAG Claims Service achieved the highest mark ever in the German insurance industry to date.

In the health insurance segment, ARAG Krankenversicherungs-AG asserted its role as a high-performance provider in the areas of full-coverage private health insurance and in supplementary insurance. Further private supplementary insurance products for persons with statutory health insurance were added to the attractive product portfolio in 2009. Two supplementary outpatient rates were successfully launched. The new rate 483 of ARAG Kranken is a response to the increasing interest in natural medicine in Germany. In addition to alternative-medicine practitioners, this rate also covers natural healing treatments administered by physicians. It also includes e.g. benefits for glasses and contact lenses as well as subsidy payments for laser eye operations. The new preventative examination rate V100 also offers a wide range of high-value benefits to enable persons with statutory health insurance to close the preventative medicine gap. In addition to extensive preventative and early-diagnosis examinations, this rate also includes an extremely broad range of vaccinations. As a special service, these two rates additionally include use of the ARAG Health Telephone and ARAG Online Legal Service.

This superlative focus on customer needs in the supplementary health insurance segment has been recognized in the form of excellent product ratings, e.g. in the magazine ÖKO-TEST (5/2009 issue). The ARAG supplementary hospitalization insurance (double-room rate women) was the number-one product in a study by the consumer magazine Finanztest. The ARAG Premium full-coverage rates also received top marks. In the rating of the magazine Euro (October 2009), ARAG placed first in the category "Men" (age 30) and second place in "Women". The insurance rating agency ASSEKURATA Assekuranz also awarded ARAG a rating of "A" (good) in its 2009 follow-on company rating. The key factors for this assessment were the high customer satisfaction as well as the company's excellent security situation. ARAG also received good marks from a particularly important target group in the year under review: brokers. In the AssCompact PKV-AWARD 2009, conferred by independent insurance agents, ARAG Kranken placed fourth in the overall rating – a gain of six places over the previous year. The company additionally placed second in the subcategory "Favorite supplementary health insurer".

In the life insurance business the mutual fund-linked pension rate ARAG FoRte 3D introduced in the prior year was able to further realize its market potential in the fiscal year under review. One very special feature is the optional profit-taking feature ARAG RenditeTresor, which lets policyholders realize and secure gains from the discretionary fund investment. As a hybrid product, ARAG FoRte 3D optimally combines flexibility and opportunities for gains while simultaneously securing the invested capital. This fund-linked policy thus fulfills the key customer demand for complete security of paid-in retirement savings premiums in times of turbulent financial markets. The highly respected analyst firm Morgen & Morgen attested a "top ranking" of ARAG FoRte 3D in all three retirement saving layers at the beginning of 2009. Also at the start of the year, the rating agency Franke & Bornberg certified the ARAG mutual-fund policy generation with "FFF" (excellent). The mutual fund-linked pension rate ARAG FoRte 3D with RenditeTresor additionally took second place in an ÖKO-TEST ranking. The excellent product quality of ARAG Leben is significantly stimulating the demanding brokerage business.

Further performance factors In the fiscal year under review, the ARAG Group benefited from the extensive optimization actions carried out in previous years. In spite of increased staffing in the international subsidiaries, the Group's administrative costs decreased from € 223.7 million to 216.2 million. Triathlon, the efficiency enhancement program implemented in 2007 which unfolded its full effect for the first time in 2008, had a particularly great impact on the net cost ratio in the German legal insurance business. These actions remained as effective as ever in the fiscal year under review, so that the cost ratio in German legal insurance once more declined slightly, from 36.8 to 36.6 percent.

ARAG core sales implemented new quality-enhancing actions in 2009. The new "Red Thread" sales process was designed to ensure comprehensive, complete and transparent advising and support of ARAG customers. This new standard focuses on customers' individual needs and expectations in different life areas. With this comprehensive advising instance, ARAG core sales is differentiating itself from mere product selling. The core of the "Red Thread" is a new sales tool that leads ARAG partners and customers step by step to appropriate solutions. In the fiscal year under review, the complete roll-out of the Red Thread was executed and the entire sales team was trained Germany-wide. ARAG core sales was able to post positive developments in the fiscal year under review on account of the VIP sales intensification program launched in 2008. In addition to an expansion of the core sales organization and significant growth in new business at the end of 2009, an external study reveals that the morale in ARAG core sales shows the best upward trend in the entire industry. According to this survey, the satisfaction values in ARAG core sales have improved significantly.

The German website of the ARAG Group, www.ARAG.de, was relaunched in the first quarter of 2009 with completely new content and layout. The success of the new Internet presence is reflected in a clear increase of 8 percent in net new business for insurance policies concluded online. The improvement is even more apparent in quotation requests. The number of requests jumped from 7,600 to more than 18,000. The quality of the new Web presence also scored points in the study “Die Assekuranz im Internet” (“Insurance on the Internet”), moving up from 40th place in the previous year to 15th place. Assekuranz Marketing Circle GmbH (AMC) examined the Internet presences of 125 German insurance companies. The ARAG website took first place in the legal insurance category in the online benchmark study conducted by Alternus GmbH.

The new heading “Active living” was also developed for the ARAG website in the fiscal year under review and went “live” at the start of 2010. This contains a wide range of information on health, sports and travel as well as an Active Navigator that generates custom hints. The impetus for this came from the new, cross-segment marketing strategy “Strong – for active living”, with which ARAG is underscoring its unique profile in the German insurance market. In addition to law, the areas of sport and health are among the ARAG Group’s core strengths as Europe’s largest sport insurer and one of its most dynamic health insurers. The aim of the marketing strategy is to support customers in living an active life with even more benefits and services and to enable them to experience ARAG as the competent navigator for all areas of their lives.

The continuation of the successful animal-motif advertising campaign ensured a high media presence for the ARAG brand. In the fiscal year under review, ARAG launched another high-penetration campaign on television and a range of websites with both proven and new animal motifs. For the first time, a TV commercial with tightly-packed seals highlighted the advantages of ARAG health insurance. This ARAG commercial earned the top place of the ten most effective spots of 2009 according to the trade publication Werben und Verkaufen. ARAG is the only brand represented twice in this “best-of-the-year” ranking. The commercial featuring a kobold maki, with which ARAG advertises its motorists’ legal insurance, placed ninth in the top-ten ranking.

The highly focused international expansion – one of the decisive factors for the Group’s entrepreneurial success – continued in fiscal 2009: in addition to exploring and preparing future cooperation arrangements and shareholdings, ARAG also continued on its growth course with its international Group subsidiaries. In Great Britain, ARAG plc acquired ATE Limited, an intermediary for after-the-event products. Through the acquisition of this company, founded in 2002, the ARAG Group is increasing its premium volume by around 4 million pounds sterling. HELP Forsikring AS, in which ARAG directly holds 44.6 percent, is also on course for expansion. As the only legal insurer in the Scandinavian market, this ARAG holding concluded two new group policies in 2009. Following the labor union Industri Energi, whose 55,000 members are covered by a special family legal insurance, the Norwegian police union has been gained as another major account. The close to 11,000 members of this organization are receiving a specially customized legal insurance against identity theft.

One example for the high quality of benefits and services of the international ARAG subsidiaries is the customer management of ARAG North America. It won the prestigious 2009 American Business Award as the year's best customer service team in the category "Banks, financial services and insurance". Additionally, the trade publication Business Insurance named ARAG as one of the best places to work in the North American insurance industry.

Employees In the last fiscal year, the number of employees in the ARAG Group increased on account of the expanded scope of business in the international subsidiaries and in health insurance. As of 31 December 2009, a total of 3,387 persons were employed in the consolidated companies on a permanent basis (previous year: 3,290). Including companies outside the scope of consolidation, 3,484 persons were employed as of 31 December 2009 (previous year: 3,384). This corresponds to a growth of 3.0 percent. During the period under review, 42.7 percent of the employees of the ARAG Group worked outside of Germany.

Employees

(permanent staff)	2009	2008
Consolidated companies	3,387	3,290
Entire Group	3,484	3,384

Given the demanding business environment, it is essential for the Group to be able to depend on a staff that is willing to perform. Our employees are characterized by a high level of loyalty to and identification with this family company. As most of our employees have served with us for many years, they possess a profound knowledge of their areas of expertise in both the domestic and international insurance business. ARAG offers its employees exceptional opportunities for personal development and continuing education. The employees appreciate our excellent corporate culture and the forthright atmosphere in this family company. In return, ARAG is considered a challenging employer with a high performance standard and a corresponding workload. At the same time, our enterprise invests in the quality of its employees e.g. in the form of extensive audits, which in future will be extended beyond the executive levels.

In the 2009 fiscal year, the binding leadership principles for ARAG Rechtsschutz and for the entire ARAG Group were embedded even further. The ARAG Leadership Standards implement the mandates of the Group's vision, the ARAG Essentials, in mandatory leadership action. The ARAG Essentials and ARAG Leadership Standards are being consistently advanced through new actions, impulses and ideas. A Group-wide employee survey was conducted at the end of the fiscal year under review to assess the acceptance of the ARAG Essentials and ARAG Leadership Standards. This survey met with a great response. The enterprise and management principles are viewed positively by employees both in Germany and abroad, and are playing a sustained role in shaping the Company.

As a family company, ARAG emphasizes how important appreciating and supporting its employees is for their performance in the Group. In addition to the broad range of qualification measures bundled on the continuing-education platform ARAG IQ, the Group has been devoting more attention to the issues of health and family since 2009. With ARAGcare, a comprehensive employee health program was launched which at the same time promotes the reconciliation of family and career. This entails a number of actions and individual activities. In addition to health days, special online offerings such as nutrition analysis, company sport activities and a broad range of evening courses, the Group is also focusing on the family area. At the beginning of March 2010, a parent-child office was inaugurated at the ARAG Tower as part of a "family day". In this way, the Group is supporting employees in the event of a bottleneck in regular child care. Important information on child care and care for ailing family members can also be found on the ARAGnet under the ARAGcare link.

VII. Supplementary Report

After conclusion of the fiscal year, ARAG Rechtsschutz sold Interiura International AG to a Dutch company. Interiura specializes in international claims settlement on behalf of third parties. The sale was finalized effective 1 January 2010. At the end of the fiscal year under review, the Italian subsidiary assumed reinsurance of the entire legal insurance business of an Italian primary insurance company. This will noticeably increase the premium volume in international legal insurance business. Also, the Group has transferred its minority holding in Allrecht Rechtsschutzversicherung AG to the majority shareholder. No further events of special significance occurred after conclusion of the fiscal year. Overall, the business development of the 2010 fiscal year is proceeding as expected to date.

VIII. Risk Report

Principles of risk controlling The targeted assumption and controlling of risks is one of the core competencies of the ARAG Group. The risk management system as an integral part of all risk-relevant processes ensures that no actions or decisions that fall outside the provisions set out in the Group Risk Policy and the risk strategy are taken. The risk management system is subjected to a review by the ARAG Group auditing unit at least once a year. In conjunction with the integrated risk management, the Company is able to identify new risk or developments entailing risks in a timely manner, systematically assess them according to uniform criteria and actively manage them. The review of the risk management system is also a part of the auditing process of the annual report.

Risk controlling feedback loop The risk controlling of the ARAG Group is modeled as a feedback loop, and comprises the processes of risk identification, risk analysis and assessment, management decision and risk controlling, as well as risk monitoring and communication.

Risk identification: The aim of risk identification is to recognize the emergence of new risks or changes in existing risks in a timely manner. For example, the Group subsidiaries adequately identify risks entailed in opening up new markets and introducing new products and integrate them in the existing limit and monitoring processes.

Risk analysis and assessment: All identified risks are continuously quantified, analyzed and assessed using suitable methods and on the basis of systematically collected and continually updated data. The key element here is the risk capital required (value at risk) to cover unexpected losses. Both the methodology and the risk positions are regularly verified and plausibility-tested by means of sensitivity analyses, stress tests, back-testing and validation tests. Group-wide risk standards ensure a consistent and appropriate approach in risk modeling, performance measurement and the application of relevant risk parameters in the calculations.

Management decision and risk controlling: The risk management functions on the Group and segment levels define suitable strategies and concepts for the Group subsidiaries that pursue both the conscious assumption of risks and the implementation of controlling measures in the sense of minimization, hedging, transfer and diversification of all identified and analyzed risks. Risk limitation ensures that the risks actually assumed are compatible with the risk strategy, respectively the risk capacity of each individual insurance company of the ARAG Group at all times.

Risk monitoring and communication: The actual limit utilization is determined and monitored on a continuing basis through comparison of the assumed risks with the specified limits. The portfolio is analyzed on a regular basis to identify large-scale risk trends. The results of risk monitoring and the action recommendations derived from these are reported to general management on a continuing, timely and unrestricted basis. This enables decision-makers to control risks proactively. The external communication of risks takes into account the interests of shareholders, the stakeholder groups (e.g. capital markets and the general public) and regulatory authorities.

FOCUS ISSUE

Solvency II, risk capital requirements and internal risk capital model

The aim of the Europe-wide Solvency II project is to reorganize the solvency regulations for insurance companies and is slated to take effect in 2012. Compared to the current solvability regulations pursuant to Solvency I, the new solvability regulations focus much more strongly on risks associated with the business model of an insurance company (for example underwriting risk, market risk, etc.). To determine solvability under Solvency II, the risk capital requirement determined according to a standard approach or a certified internal risk capital model is compared with the risk capital available in the company that can be used to cover losses.

The risk capital requirement defines the financial resources required to ensure that both the ARAG Group and each individual Group subsidiary can meet their obligations toward claimants with a high likelihood even in extremely poor fiscal years. The risk capital requirement is equivalent to the value at risk and is determined on the basis of an internal risk capital model according to the requirements of Solvency II for a period of one year and a certainty level of 99.5 percent.

Tasks and organization of risk management Risk management is an important part of the management of the ARAG Group. In the context of this controlling, the objective of risk management is to secure the financial strength of all Group subsidiaries and increase the value of the company on a sustained basis. Effective, integrated risk management fulfills the claims of customers with the greatest possible security and creates sustained enterprise value for shareholders. In accordance with this objective, risk and capital aspects are a fixed part of the strategic planning process and also the basis of value- and risk-oriented controlling in accordance with the EVA® concept. The tasks and responsibilities of all active persons, such as the members of the Board of Management, executives, decentralized and central risk controllers and managers are clearly defined and documented in the Group Risk Policy of the ARAG Group. The responsibility for the assumption of risks and the oversight functions are strictly separated all the way up to the Board level through the new Board-level function Risk Management/Controlling created in 2009. The head of this Board-level function controls the risks of the Group in his role as Chief Risk Officer and ensures the central communication of risk-relevant issues through regular reports to the Board of Management and the Supervisory Board. This officer is also responsible for inter-divisional planning, controlling and monitoring of the entire risk architecture. The decisions as to the utilization of opportunities and the assumption of risks are generally taken by the operative units of the ARAG subsidiaries on the basis of the risk strategy, which limits the risk framework. In performing these tasks, these units are supported by Group Risk Management acting as an independent controlling function. The systematic further development of the risk management system in the

ARAG Group is based on the principle of the holistic consideration of asset- and liability-side risks. Group Risk Management is responsible for identifying, assessing, controlling and monitoring the asset- and liability-side risks for all domestic and international subsidiaries and preparing associated board-level decisions.

Group Risk Management bears process responsibility for the risk management system and is responsible for developing it further. It is also tasked with preparing proposals for uniform Group-wide standards with respect to the monitoring of inter-divisional and inter-segment risks. Beyond that, Group Risk Management develops the models for determining the risk capacity, risk capital and risk capital allocation for the entire Group.

Capital investment controlling is an independent risk controlling function that is responsible for asset-liability management as part of the capital investment process. This focuses not only on the asset- and liability-side economic and balance-sheet risks but also on a potential imbalance between the underwriting obligations stated on the liabilities side and their coverage by asset items. The rules for specifying and controlling these risk fields are defined and monitored by Group Risk Management.

The central and local instruments and processes deployed in the risk management system follow a uniform approach that takes into account the overall economic conditions as well as the requirements and expectations of customers, regulators, rating agencies and the shareholder. Furthermore, a strict functional separation exists between the operational controlling of risks and Group Risk Management. Group Risk Management also works closely together with the internal auditing unit. The implemented systems meet the requirements of the German Act on Control and Transparency in Enterprises (KonTraG).

The present risk report is based on German Accounting Standard DRS 5 – 20 for risk reporting in insurance companies. In accordance with this standard, the overall risk is organized in the categories underwriting risks, risk from default on debts in the insurance business, risks from capital investments, operational risks and other risks.

FOCUS ISSUE

MaRisk VA

On 23 January 2009 the German Federal Financial Supervisory Authority (BaFin) published the "Minimum Requirements of Risk Management in Insurance Companies (MaRisk VA)". MaRisk VA is the binding interpretation of newly adopted Art. 64a of the German statute governing insurance companies (VAG) regarding rules of procedure from the point of view of the regulator.

The ARAG Group initiated a project for implementing MaRisk VA in 2009. The aim of this project was to compare all minimum risk requirements stipulated in MaRisk VA with the risk management system existing at that time (GAP analysis) and to eliminate the identified deviations by the end of the year, respectively to advance them to the point that they could be completed within the context of line activities after conclusion of the project. The project was successfully completed at the end of February 2010.

Underwriting risks in property and accident insurance Due to the product and customer structure, the Group's insurance portfolio contains few extraordinary risks with respect to possible major events which could endanger the existence of the Company. Suitable reinsurance has been taken out to minimize the risks of major losses in the property, liability and accident business. The claims situation is actually influenced more by the effects of changing legal, economic and social parameters. Furthermore, our claims expenditures can increase as a result of changes to laws and statutory instruments or legal charges and fees – even for claims that have already been reported. We counter these risks by constantly monitoring legal and social developments and analyzing their impact on our insurance portfolio. Insurance rates and terms are adapted where necessary and the claims reserves provide for sufficient safety margins. The variable premium rates clause of our domestic legal insurance also allows insurance premiums to be adjusted in line with claims development.

The steady nature of the Group's insurance business as well as the continually appropriate apportionment of claims reserves may be seen in the data given below for the gross claims trends for self-contracted business for our German legal insurance subsidiaries as well as the property and accident insurance subsidiaries over the last ten years.

Development of claims

Fiscal year	Gross claim ratio, total		Settlement result
	Ratio for fy	Balance	in % of initial reserves
2009	66.4	58.0	6.4
2008	65.2	55.4	7.6
2007	66.8	62.6	3.4
2006	65.2	59.2	5.1
2005	65.6	59.9	4.8
2004	64.4	60.1	3.9
2003	64.4	54.3	9.4
2002	68.2	60.8	6.8
2001	64.0	59.7	4.2
2000	64.5	56.6	7.5

Underwriting risks in life and health insurance The underwriting risk comprises the danger that the collected premiums are no longer sufficient to finance the actual insurance benefits (premium/insurance benefit risk), that the net income from capital investments is not sufficient to fulfill the interest guarantees (interest guarantee risk), and that the underwriting reserves established are not sufficient to fulfill future insurance benefits (reserves risk). Among other strategies, these risks are countered by calculating the premiums and insurance benefits and the corresponding reserves to be set aside in accordance with recognized actuarial principles under observance of all statutory requirements. The risk that an interest rate appropriate for the customer, respectively the guaranteed interest rate, cannot be achieved on account of the current low capital market interest rates is met by allocating the capital investment portfolios in a differentiated manner according to the term and debtor structure. The portfolio of fixed-interest capital investments generates a return that exceeds the current interest rate level; new investments are made solely in securities with a rating of at least “BBB”, for terms that correspond to the expectations with respect to the development of capital-market interest rates.

With regard to the biometric basis for calculation (death probabilities, disability probabilities, etc.), ARAG only uses the recognized decrement tables provided by the German actuarial association DAV and BaFin (German Federal Financial Supervisory Authority) as these are considered sufficiently reliable.

In addition, the anticipated values arrived at using the decrement tables are regularly compared with actual claims in order to validate the appropriateness of the biometric calculation basis. In the case of pension insurance, the assessment of the longevity risk is particularly important. The effects of increasing life spans correlates with a reduction of the safety margins in the pension tables used to date in calculating the actuarial reserves.

Cancellation probabilities are not considered in calculating the actuarial reserves. In addition, the provisions of the German directive regulating the accounting of German insurance companies, RechVersV, require that reserves must at least equal the surrender value. For life insurance policies in which the claims against the policyholders are capitalized, the risk of cancellation is provided for by means of appropriate valuation allowances.

In health insurance, the underwriting risks are minimized through a comparison (by rate) conducted at least annually of the necessary insurance benefits and death probabilities and those calculated using the technical calculation basis. If the actual values deviate from the expectations within certain limits, the calculation basis is reviewed (claims requirement, actuarial interest rate, mortality, cancellation). Where required, the premiums are matched to current developments with the approval of an independent actuarial trustee. The current mortality tables of the German Private Health Insurers Association are used in calculating the probability of death.

Risks from default on debts in the insurance business Losses due to default on debts in the insurance business are minimized by an efficient and persistent dunning system. The residual default risk is anticipated by making general provisions for bad debt against receivables in the financial statements.

As of 31 December 2009, receivables in insurance business more than 90 days past due amounted to € 11.6 million. The average default rate for receivables in 2006 through 2009 amounted to 0.4 percent with reference to written premiums.

Risks from capital investments As an insurance enterprise, the assumption of risks and their professional monitoring and handling are an important element of capital investments controlling. Specifically, the risks of capital investments comprise the market risk, the credit risk and the liquidity risk. A broad diversification of the portfolio limits the individual risks by broadly spreading the capital investments on the basis of investment types, debtors and regions.

The market risk is countered by a risk-based controlling concept that enables a capital investment early warning system in conjunction with continuing market monitoring and timely reporting. Additionally, a security concept is implemented that safeguards the stock portfolios against further exchange losses when certain price indices are reached. Furthermore, the risk situation and the financial stability are reviewed on a regular quarterly basis in the form of internal tests based on the same criteria as the official stress tests of German financial regulators.

The stress tests examine whether the Company would be able to meet its obligations to its insurance customers in spite of extreme crisis situations on the capital markets without recourse to extraordinary measures. In the stress tests, which comprise four scenarios, the following simultaneously occurring losses in value are assumed:

Scenario	R10	A22	RA20	AI25
Bonds	-10%	–	-5%	–
Stocks	–	-22%	-15%	-15%
Real estate	–	–	–	-10%

As a result of these analyses it may be stated that as of the accounting date, all domestic insurance subsidiaries of the Group have passed all stress tests mandated by regulatory authorities without restriction.

The credit risk is as follows: Of the fixed-interest securities held by the German insurance subsidiaries – including those held indirectly through investment funds – approximately 55 percent are attributable to financial-services companies, 35 percent to states and 10 percent to corporate bonds. Around 93 percent of the individual risks show a minimum rating of "A–" according to Standard & Poor's or a comparable rating.

The company regards the default risk as a form of the credit risk as slight in view of the credit ratings of the securities portfolio, the cover assets of the pfandbriefe and the government stabilization actions for the banking sector in response to the financial crisis.

The Group holds sovereign debt of the PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) including portfolios in the special funds only to a minor extent (approx. 7.8 percent with reference to the Group's capital investment portfolios).

The liquidity risk is limited by revolving financial planning which identifies the payment flows in good time and allows them to be matched through asset-liability management. In addition, the high fungibility of our capital investments ensures that these can be liquidated on short notice.

The use of derivative instruments is regulated by our general principles and internal guidelines and is restricted exclusively to hedging purposes.

The Group counters the risks from shareholdings by constant monitoring of and reporting by the holding companies. Management of operative risks is sufficiently provided for by the holding companies themselves.

The **operational risks** include all risks that pertain to staff, processes, organization, IT, natural disasters, technology and external circumstances. The portfolio of operational risks was determined and updated on a quarterly basis. Risks are controlled through the implementation of actions for the purpose of risk protection, risk avoidance or risk reduction.

One significant risk is that of partial or total failure of the information systems. To guard against this risk the Group has implemented numerous technical and organizational safeguards (strict access control, off-site custodianship of programs and data, firewalls, etc.); these are reviewed on a regular basis and upgraded as developments warrant.

The Group guards against the risk of administrative failures through rules and audits in the respective departments. Internal controlling measures and the continuing deployment of internal auditing minimize the risk of serious working errors and acts of embezzlement.

A professional software tool is used world-wide for managing the operational risks (identification, administration and controlling).

Summary of risk situation At present, the overall risk situation does not indicate any trends that could endanger the existence of individual subsidiaries of the Group or severely impair the Group's asset, financial or earnings situation.

Quantification of the overall risk situation/solvability The Group had at its disposal sufficient own funds of the regulatory solvability requirements as set forth in the applicable statute (Art. 104g VAG). The calculation of the Group's solvability as of 31 December 2009 shows a sufficient coverage with own funds, whereby these significantly exceed the requirements in spite of the difficult overall conditions.

IX. Outlook

Following the steep downturn in the global economy at the beginning of fiscal 2009, faint recovery tendencies and an easing on the financial markets became apparent in the second half of the year. Key sentiment indicators confirmed this trend. At present, it is not clear whether these developments, which are continuing through the first half of 2010, will prove sustainable or whether new setbacks must be expected. The sovereign default of Greece, averted for the time being with great effort, and the resulting turbulence concerning the euro indicate that the global economy remains fragile. Given this context, the overall economic trend will likely have to cope with further effects of the global recession. The economy is not likely to recover noticeably until 2011. In view of these overall conditions, the German insurance industry can expect at best a modest increase in consumer demand.

With its conservative business policy, the ARAG Group is well prepared for unstable economic trends in 2010. The Company is relying on the key success factors of a family enterprise: excellent performance, high-performance products and services plus a clear identity and binding values.

ARAG also sees opportunities in this crisis particularly for insurance companies. In these times, consumers are seeking security and dependability – and that is just what the ARAG Group has to offer. The Group has first-class products that offer customers aid in difficult times, and experienced employees who are appreciated by customers on account of their competence.

ARAG also possesses one special characteristic: it is a family company, and as such stands for dependability, soundness and continuity. These values will take on greater weight in the financial-services industry. The economic crisis is driving a fundamental, conservative shift in values among consumers which will shape the general conditions of the insurance markets to a much greater extent going forward. Consumer surveys show that ARAG as the largest family company in the German insurance industry can profit from this development. Consumers appreciate ARAG's rational, cautious corporate growth and its strong international position as a sign of soundness and stability. From these analyses, we may conclude that consumers prefer to obtain insurance services from a large family company. Encouraged by these benevolent assessments, ARAG will emphasize its family company attribute more strongly in future. Here, the Group benefits from the fact that it has already positioned itself as a quality insurer for its customers. The survey also revealed that consumers consider high-quality products and services as important indicators of the performance capability of a family enterprise.

In order to make it easier for customers to find their way to ARAG the family company, the Group has intensively worked on its areas of strength with future potential. Analogous to the requirements of the ARAG Essentials, the Group's enterprise vision, the performance motto "legal matters and protection" has been developed into a concrete performance promise for customers. As one of the world's leading legal insurers, as a high-quality health insurer and as Europe's largest sport insurer, ARAG has defined the competence fields of "law, health and sport" as investment sectors for the Company. The aim is to provide ARAG customers with benefits in these areas that generate enhanced value and utility.

ARAG has studied the effects of the global economic crisis very thoroughly, and in this context is also examining new business opportunities. At the same time, the Company is remaining true to its conservative, earnings-oriented business policy. Thanks to the strong international diversification of its core business, the Group will remain on its course of moderate growth through 2010 and 2011. The expectations for each Group segment vary.

In the legal insurance segment, the international business will continue to expand its role as largest segment and growth engine of the Group through a further increase in premium revenues. In accordance with the international expansion strategy, opening up new markets and consistently utilizing good development opportunities will remain a priority. However, this will depend more strongly on the dependability of the economic recovery in potential target markets in 2010.

In the German legal insurance business, the focus is on a further improvement in the cost development as well as on strengthening the noticeably improving production performance. The significant increase in claims for employment-law disputes registered in 2009 is likely to recede again in the coming years. This assumes that the outlook for the German labor market continues to improve. Accordingly, the Group's underwriting result can grow again as claim expenses fall. Overall, no significant growth in premiums is anticipated in German legal insurance for 2010 and 2011.

The composite segment managed by ARAG Allgemeine will continue to invest in its product portfolio. All relevant product groups will profit from this. This segment will additionally cement its high service standard further. The certification agency TÜV Saarland recently awarded the Claims Service of ARAG Allgemeine their top mark of "very good" (1.40). The examiners recognized the rapid, customer-friendly claims settlement in ARAG's composite segment.

ARAG's health insurance business has continued good prospects for continuing the successful business trend of past years. In the difficult area of health policy, ARAG Krankenversicherung will use its significantly expanded product range to maintain its solid basis in the full health insurance area. ARAG Krankenversicherung is also excellently positioned in the supplementary health insurance market, which continues to gain in importance. It is able to cover practically any customer need. The high quality of the available products is underscored by numerous excellent standings in a wide range of performance comparisons.

The life insurance segment will continue to build on the success of its mutual-fund linked pension insurance products in the coming years, which are ideally matched to the difficult financial-market situation. These products put the greatest priority on securing the paid-in customer premiums. Broker sales will play an ever greater role here. In the area of traditional endowment life insurance, ARAG Leben will continue to maintain the customer surplus participation at 4.0 percent excluding final surplus components in the current year.

The earnings expectation of the ARAG Group for the coming years is cautiously optimistic. The Company is benefiting from its extensive optimization efforts since 2003 in the form of the continuous improvement in its underwriting result. The high-earning operational insurance business will be a source of strength for ARAG in the coming years as well. Accordingly, the Company is continuing its conservative business policy – while further strengthening its good underwriting result. For the owners, good to excellent internal financing capability remains a top ARAG priority. Consequently, the Group is operating with a consistent earnings orientation and not growth-oriented. With respect to the ARAG Group's organic expansion of business, the focus is on high-earning growth opportunities, which ARAG sees primarily in international business and in health insurance. The Group will examine external growth opportunities for their strategic potential and utilize them where the conditions are right. This applies to the legal insurance segment in particular.

Under consideration of all opportunities and risks, the ARAG Group is assuming stable and satisfactory business results for the 2010 and 2011 fiscal years that achieve the level of the fiscal year under review.

Consolidated Financial Statements

ARAG Aktiengesellschaft

Consolidated Financial Statements

Consolidated Balance Sheet as of 31 December 2009

Assets

(in euros)

A. Unpaid contributions to subscribed capital of top-level parent company
B. Intangible assets
1. Costs for start-up and expansion of business activity according to Art. 269 (1) sen. 1 HGB
2. Goodwill
3. Other intangible assets
C. Capital investments
I. Real estate, comparable rights and buildings including those on third-party property
II. Capital investments in affiliated companies and shareholdings
1. Shares in affiliated companies
2. Lending to affiliated companies
3. Holdings in associated companies
4. Other holdings
5. Lending to companies with which a shareholding relationship exists
III. Other capital investments
1. Stocks, investment fund shares and other non-fixed interest securities
2. Bearer bonds and other fixed-interest securities
3. Mortgages receivable, other similar rights and fixed-interest debts
4. Other lending
a) Registered debentures
b) Promissory notes and loans
c) Loans and advance disbursements on insurance policies
d) Remaining lending
5. Bank deposits
6. Other capital investments
IV. Portfolio assets from assumed reinsurance business
D. Capital investments for the account and risk of life insurance policyholders
E. Accounts receivable
I. Accounts receivable for self-contracted insurance business from:
1. Policy-holders
a) Claims due
b) Claims not yet due
2. Insurance agents portion from affiliated companies: € 0.00 (previous year: € 0.00)
II. Settlement receivables from reinsurance business
III. Other accounts receivable portion from affiliated companies: € 3,966,939.76 (previous year: € 3,217,516.12) portion from companies with which a shareholding relationship exists: € 292,586.33 (previous year: € 336,956.47)
F. Other assets
I. Real estate intended for sale and other assets of non-insurance companies
II. Tangible assets and supplies
III. Current bank balances, checks and cash in hand
IV. Other assets
G. Accrued and deferred items
I. Deferred interest and rents
II. Other accrued and deferred items
H. Tax deferment item in accordance with Art. 306 in conjunction with Art. 274 (2) HGB
Total assets

Appendix				2009	2008
				0.00	0.00
31 p. 72					
			0.00		0.00
1 p. 64			40,144,439.36		33,900,321.28
2 p. 64			15,275,110.22		13,452,763.28
				55,419,549.58	**47,353,084.56**
31 p. 72					
3 p. 64			197,349,906.13		170,480,995.88
4 p. 64					
		3,703,821.77			3,816,076.33
		3,257,102.59			3,392,102.59
		13,684,563.46			13,231,593.85
		69,957,019.44			70,930,865.29
		113,325.30			425,636.60
			90,715,832.56		91,796,274.66
5 p. 65		1,966,387,929.84			1,900,084,178.08
5 p. 65		445,277,359.79			374,287,555.26
7 p. 65		217,674,912.60			237,900,944.24
7 p. 65					
	892,150,519.60				881,071,331.97
	974,995,661.78				955,557,953.50
	78,819,702.70				82,190,638.04
6 p. 65	61,030,901.46				66,922,158.92
		2,006,996,785.54			1,985,742,082.43
9 p. 65		168,263,430.61			236,596,490.50
7 p. 65		101,807.95			388,180.09
			4,804,702,226.33		4,734,999,430.60
			4,674,430.72		4,932,620.93
				5,097,442,395.74	**5,002,209,322.07**
8 p. 65				**56,190,551.00**	**30,453,157.09**
10 p. 65					
	53,397,646.24				51,791,469.32
	21,659,295.60				15,900,382.41
		75,056,941.84			67,691,851.73
		31,054,509.32			29,470,093.56
			106,111,451.16		97,161,945.29
			17,535,820.67		19,521,242.28
			25,138,521.47		35,706,088.45
				148,785,793.30	**152,389,276.02**
			33,517,748.07		24,354,847.77
11 p. 66 12 p. 66			19,722,186.04		20,241,981.44
			69,502,330.58		54,510,822.34
13 p. 66			68,844,643.46		71,293,010.76
				191,586,908.15	**170,400,662.31**
14 p. 66					
			55,665,322.76		55,283,486.52
			13,130,874.71		6,214,550.64
				68,796,197.47	**61,498,037.16**
15 p. 66				**14,579,013.39**	**10,261,676.11**
				5,632,800,408.63	**5,474,565,215.32**

Consolidated Balance Sheet as of 31 December 2009

Liabilities

(in euros)
A. Equity
I. Subscribed capital
II. Revenue reserves
1. Statutory reserves
2. Other revenue reserves
3. Currency exchange rate reserves
4. Difference according to Art. 309 (1) HGB
III. Group loss/profit
1. Group net profit
IV. Balancing item for shares of other shareholders
B. Difference from consolidation of capital
C. Lower-ranking liabilities
D. Special reserve item
E. Underwriting reserves
I. Unearned premiums
1. Gross amount
2. less: portion for reinsured business
II. Actuarial reserves
1. Gross amount
2. less: portion for reinsured business
III. Provision for outstanding claims
1. Gross amount
2. less: portion for reinsured business
IV. Provision for profit-linked and non-profit-linked premium rebates
V. Fluctuation reserve and similar provisions
VI. Other underwriting reserves
1. Gross amount
2. less: portion for reinsured business
F. Underwriting reserves in the life insurance segment, insofar as the investment risk is borne by the policyholders
I. Actuarial reserves
II. Other underwriting reserves
Carryover:

Appendix			2009	2008
29 p. 70 35 p. 80				
		200,000,000.00		200,000,000.00
	5,564,914.00			4,559,315.00
	61,037,205.85			68,738,977.92
	-2,057,188.39			-1,476,112.65
	-35,999,890.81			-35,999,890.81
		28,545,040.65		35,822,289.46
	18,830,376.00			1,294,353.45
		18,830,376.00		1,294,353.45
		30,314,676.99		32,243,847.76
			277,690,093.64	**269,360,490.67**
			656,541.98	**0.00**
16 p. 66			**50,000,000.00**	**50,000,000.00**
17 p. 66			**4,957.87**	**4,957.87**
18 p. 67				
	221,005,534.77			219,777,411.22
	-2,469,193.81			-3,381,652.60
		218,536,340.96		216,395,758.62
19 p. 67				
	3,083,721,030.15			3,012,915,654.10
	-65,401,460.00			-70,560,210.00
		3,018,319,570.15		2,942,355,444.10
20 p. 68				
	1,227,727,849.61			1,187,841,037.80
	-39,170,883.02			-43,587,942.35
		1,188,556,966.59		1,144,253,095.45
		224,646,055.21		223,783,564.06
21 p. 69		65,434,193.00		58,207,905.00
22 p. 69				
	5,056,150.43			5,550,495.13
	0.00			0.00
		5,056,150.43		5,550,495.13
			4,720,549,276.34	**4,590,546,262.36**
		29,614,580.37		12,428,911.81
		26,575,970.63		18,024,245.28
			56,190,551.00	**30,453,157.09**
			5,105,091,420.83	**4,940,364,867.99**

Consolidated Balance Sheet as of 31 December 2009

Liabilities

(in euros)
Carryover:
G. Other provisions
I. Reserve for pensions and similar obligations
II. Reserve for taxes
III. Reserve for anticipated tax liability for subsequent fiscal years according to Art. 274 (1) HGB
IV. Other reserves
H. Portfolio liabilities for reinsured insurance business
I. Other liabilities
I. Liabilities from self-contracted insurance business
1. toward insurance companies
2. toward insurance agents portion to affiliated companies: € 8,446.40 (previous year: € 3,856.67)
II. Settlement liabilities from reinsurance business
III. Debts to banks
IV. Other liabilities portion attributable to taxes: € 14,874,486.10 (previous year: € 13,679,224.94) portion attributable to social security: € 588,075.46 (previous year: € 556,149.63) portion to affiliated companies: € 1,480,726.42 (previous year: € 1,356,086.37) portion to companies with which a shareholding relationship exists: € 24,410.22 (previous year: € 1,012,839.90) portion secured by property lien: € 2,480,000.00 (previous year: € 2,552,000.00)
J. Accrued and deferred items
Total liabilities

Appendix			2009	2008
			5,105,091,420.83	**4,940,364,867.99**
23 p. 69		192,571,193.65		188,128,785.72
		26,999,800.15		25,608,993.99
28 p. 70		2,980,564.00		230,647.00
24 p. 69		60,449,682.96		72,912,627.17
			283,001,240.76	**286,881,053.88**
25 p. 70			**72,487,155.73**	**79,027,510.76**
25 p. 70				
26 p. 70				
	58,410,970.56			60,818,875.79
	31,987,018.87			26,063,486.51
		90,397,989.43		86,882,362.30
26 p. 70		2,285,984.54		1,163,531.82
		16,541,855.63		15,944,753.67
		57,844,210.15		62,162,597.74
			167,070,039.75	**166,153,245.53**
27 p. 70			**5,150,551.56**	**2,138,537.16**
			5,632,800,408.63	**5,474,565,215.32**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2009

Item
(in euros)
I. Underwriting account for property and accident insurance business
1. Earned premiums for own account
a) Gross premiums written
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Technical interest earned for own account
3. Other underwriting result for own account
4. Cost of claims for own account
a) Payments for claims
aa) Gross amount
bb) Reinsurers' portion
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' portion
5. Change in other net underwriting reserves
a) Net actuarial reserves
b) Other underwriting reserves
6. Costs for profit-linked and non-profit-linked premium rebates for own account
7. Cost of insurance business for own account
a) Gross cost of insurance business
b) less: commissions and profit-sharing received from reinsured insurance business
8. Other underwriting costs for own account
9. Subtotal
10. Change in fluctuation reserve and similar provisions
11. Underwriting result for own account in property and accident insurance business

Appendix			2009	2008
30 p. 71	913,821,000.65			921,088,808.86
	-7,340,518.09			-11,990,719.88
		906,480,482.56		909,098,088.98
	-4,203,138.10			-7,465,188.28
	15,947.79			-95,088.54
		-4,187,190.31		-7,560,276.82
			902,293,292.25	**901,537,812.16**
			591,412.00	**609,171.39**
			3,153,122.47	**2,649,265.92**
	495,336,780.49			481,112,853.15
	-5,395,471.44			-6,500,881.58
		489,941,309.05		474,611,971.57
	36,695,777.60			6,801,023.71
	4,286,003.66			5,953,663.44
		40,981,781.26		12,754,687.15
			530,923,090.31	**487,366,658.72**
		0.00		0.00
		794,205.92		-1,127,731.54
			794,205.92	**-1,127,731.54**
34 p. 77			**-10,497.50**	**-5,130.08**
33 p. 77				
		366,244,922.38		370,167,219.01
		-685,237.96		-6,002,125.12
			365,559,684.42	**364,165,093.89**
			1,006,060.44	**1,037,838.08**
			9,353,694.97	**51,104,057.32**
			-7,226,288.00	**7,320,116.00**
			2,127,406.97	**58,424,173.32**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2009

Item
(in euros)
II. Underwriting account for life and health insurance business
1. Earned premiums for own account
a) Gross premiums written
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Premiums from gross provisions for premium rebates
3. Income from capital investments
a) Earnings from shareholdings
b) Earnings from associated companies
c) Income from other capital investments portion from affiliated companies: € 0.00 (previous year: € 0.00)
aa) Income from real estate, comparable rights and buildings including those on third-party property
bb) Income from other capital investments
d) Gains from write-ups
e) Gains from sale of capital investments
f) Gains from dissolution of special reserve item
4. Unrealized gains from capital investments
5. Other underwriting result for own account
6. Cost of claims for own account
a) Payments for claims
aa) Gross amount
bb) Reinsurers' portion
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' portion
7. Change in other net underwriting reserves
a) Net actuarial reserves
aa) Gross amount
bb) Reinsurers' portion
b) Other underwriting reserves
8. Costs for profit-linked and non-profit-linked premium rebates for own account
9. Cost of insurance business for own account
a) Cost of sales
b) Administrative costs
c) less: commissions and profit-sharing received from reinsured insurance business
10. Costs of capital investments
a) Costs for administration of capital investments, interest costs and other costs for capital investments
b) Write-downs on capital investments portion for extraordinary write-downs according to Art. 253 (2) sen. 3 HGB: € 9,422,703.64 (previous year: € 39,307,152.10)
c) Losses from sale of capital investments
11. Unrealized losses from capital investments
12. Other underwriting costs for own account
13. Underwriting result for own account in life and health insurance business

Appendix			2009	2008
30 p. 71	456,012,374.23			439,929,971.82
	-2,048,383.65			-2,283,497.44
		453,963,990.58		437,646,474.38
	1,489,194.68			867,803.85
	-967,484.13			-176,551.22
		521,710.55		691,252.63
			454,485,701.13	**438,337,727.01**
			19,104,887.48	**27,271,744.64**
		983,925.10		2,169,761.39
		0.00		0.00
	4,142,098.66			4,854,711.59
	130,625,697.71			134,927,753.05
		134,767,796.37		139,782,464.64
		7,930,807.05		2,582,275.92
		9,265,886.23		6,154,512.79
		0.00		0.00
			152,948,414.75	**150,689,014.74**
32 p. 76			**12,004,773.32**	**235,579.37**
			8,302,229.89	**1,858,563.33**
	386,517,673.36			372,491,491.86
	-11,671,506.71			-5,131,716.35
		374,846,166.65		367,359,775.51
	-3,587,937.37			-5,476,480.46
	-207,432.90			63,579.00
		-3,795,370.27		-5,412,901.46
			378,641,536.92	**372,772,676.97**
	-87,991,798.61			-70,411,376.91
	-5,158,750.00			945,377.00
		-93,150,548.61		-69,465,999.91
		-8,832,749.35		12,084,399.20
			-101,983,297.96	**-57,381,600.71**
34 p. 77			**41,195,949.88**	**35,461,217.62**
33 p. 77				
	67,615,978.31			61,745,808.17
	16,097,742.07			15,315,666.82
		83,713,720.38		77,061,474.99
		1,943,032.69		40,159.86
			85,656,753.07	**77,101,634.85**
		6,811,180.12		7,453,525.48
		10,367,109.88		40,048,076.76
		343,431.60		1,399,108.75
			17,521,721.60	**48,900,710.99**
			566.10	**17,627,498.84**
			5,904,856.31	**4,464,019.51**
			15,941,324.73	**4,683,269.60**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2009

Item
(in euros)
III. Non-underwriting account
1. Underwriting result for own account
a) in property and accident insurance business
b) in life and health insurance business
2. Income from capital investments, where not stated under II. 3.
a) Earnings from shareholdings portion from affiliated companies: € 1,257,367.49 (previous year: € 538,000.00)
b) Earnings from associated companies
c) Income from other capital investments portion from affiliated companies: € 0.00 (previous year: € 306,881.66)
aa) Income from real estate, comparable rights and buildings including those on third-party property
bb) Income from other capital investments
d) Gains from write-ups
e) Gains from sale of capital investments
f) Gains from dissolution of special reserve item
3. Costs of capital investments, where not stated under II. 10.
a) Costs for administration of capital investments, interest costs and other costs for capital investments
b) Write-downs on capital investments portion for extraordinary write-downs according to Art. 253 (2) sen. 3 HGB: € 15,562,637.74 (previous year: € 53,802,312.17)
c) Losses from sale of capital investments
d) Costs from assumption of losses
e) Assumption of losses from associated companies according to equity method
f) Transfers to special reserve item
4. Technical interest earnings
5. Sales revenues of non-insurance subsidiaries
6. Production costs of performing the services for achieving the sales revenues of non-insurance subsidiaries
7. Other earnings
8. Other costs portion for write-downs on company values from consolidation of capital: € 5,405,217.56 (previous year: € 4,380,500.92)
9. Non-underwriting result
10. Profit on ordinary activities
11. Extraordinary earnings
12. Extraordinary expenses
13. Taxes on income and earnings
14. Other taxes
15. Profit/loss for year before external components
16. Profit attributable to other shareholders
17. Loss attributable to other shareholders
18. Net income

				2009	2008
			2,127,406.97		58,424,173.32
			15,941,324.73		4,683,269.60
				18,068,731.70	**63,107,442.92**
		1,753,733.64			1,268,793.14
		606,659.67			578,208.79
	16,974,506.13				14,828,966.32
	56,147,623.21				56,709,487.55
		73,122,129.34			71,538,453.87
		16,974,661.38			1,650,642.75
		9,246,405.92			2,753,947.09
		0.00			0.00
			101,703,589.95		77,790,045.64
		15,277,199.58			13,409,106.69
		19,417,591.52			58,818,954.84
		2,082,556.86			3,754,825.17
		0.00			0.00
		0.00			0.00
		0.00			0.00
			36,777,347.96		75,982,886.70
				64,926,241.99	**1,807,158.94**
				-591,412.00	**-607,956.00**
				43,026,383.92	**40,957,759.92**
				43,812,044.66	**41,761,152.66**
			26,956,831.53		31,885,327.78
			62,205,453.72		73,371,617.82
				-35,248,622.19	**-41,486,290.04**
				28,300,547.06	**-41,090,479.84**
				46,369,278.76	**22,016,963.08**
			0.00		0.00
			0.00		0.00
				0.00	0.00
			24,207,423.51		17,866,815.20
			1,128,921.61		371,960.88
				25,336,345.12	**18,238,776.08**
				21,032,933.64	**3,778,187.00**
			-3,060,442.01		-4,306,412.93
			857,884.37		1,822,579.38
				-2,202,557.64	**-2,483,833.55**
				18,830,376.00	**1,294,353.45**

I. Notes on Scope of Consolidation as well as Accounting, Valuation and Consolidation Methods

Legal basis for preparation of the Consolidated Financial Statements The year-end Consolidated Financial Statements of ARAG Aktiengesellschaft for fiscal 2009 and the Group Management Report were prepared according to the provisions of the German Commercial Code (HGB) for large corporations, under observance of the supplementary requirements for insurance companies promulgated 8 November 1994 (RechVersV) under particular consideration of the accounting regulations for conglomerates as set forth in Art. 341i, 341j HGB and Art. 58 to 60 RechVersV as well as the German accounting standards (DRS). The latter were applied only insofar as they do not impair the continuity of valuation, insofar as the exercise of legal alternatives is significant for reporting the asset, financial and earnings situation of the Group. Changes in accounting regulations on account of the German Accounting Law Modernization Act (BilMoG) of 25 May 2009 are taken into account to the extent that they are applicable to annual financial statements for fiscal years commencing prior to 1 January 2010. Other changes contained in the German Accounting Law Modernization Act are not applied in the 2009 annual report.

In particular, Art. 66 and 67 of the Introductory Law to the German Commercial Code (EGHGB) are observed for commercial-law regulations. Citations refer to HGB in the version valid through 25 May 2009. Insofar as changes in HGB took effect after 25 May 2009 that do not relate to the Accounting Law Modernization Act, these are taken into account in the 2009 Annual Financial Statement.

In accordance with Art. 58 (1) RechVersV, forms 1 and 4 were used for the structure of the Consolidated Financial Statements. The forms were expanded to reflect special features of the Group as well as items for non-insurance business.

Scope of consolidation The Consolidated Financial Statements report on 41 subsidiaries in accordance with Art. 301 (1) HGB as of 31 December 2009. Three companies within the scope of consolidation were included as associated companies within the meaning of Art. 311 HGB. In the fourth quarter, further shares in a Norwegian insurance company which is numbered among the associated Group subsidiaries were acquired. As of the fourth quarter, one associated company is treated as a shareholding, as the significant influence over business policy was lost on account of actual restrictions.

As of 31 December 2009, the scope of consolidation including associated companies comprises 15 insurance companies (previous year: 15), two service providers in the area of electronic data processing and business organization (previous year: two), four real estate management companies (previous year: nine), 18 other service companies (previous year: 14) and six holding and asset management companies (including the top-level company; previous year: six). The Consolidated Financial Statements omit 39 Group subsidiaries, as on account of the minor significance of these companies their omission from the scope of consolidation in no way impairs the asset, financial or earnings situation of the Group.

The following companies were included in the Consolidated Financial Statements:

	Name of company	Group share in percent
1	Advisory Communications System Inc., Des Moines, Iowa, USA	94.93
2	AFI Verwaltungs-Gesellschaft mbH, Düsseldorf, Germany	89.86
3	ALV Vermögens- und Beteiligungs-Verwaltungs AG, Munich, Germany	86.39
4	ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Munich, Germany	86.39
5	ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf, Germany	93.31
6	ARAG Aktiengesellschaft, Düsseldorf, Germany, **parent company of the Group**	100.00
7	ARAG Allgemeine Rechtsschutz-Versicherungs-AG, Düsseldorf, Germany	94.93
8	ARAG Allgemeine Versicherungs-AG, Düsseldorf, Germany	94.93
9	ARAG Assicurazioni Rischi Automobilistici e Generali S.p.A., Verona, Italy	94.93
10	ARAG Association LLC, Des Moines, Iowa, USA	94.93
11	ARAG Compania Internacional de Seguros y Reaseguros S.A., Barcelona, Spain	94.93
12	ARAG Insurance Company Inc., Des Moines, Iowa, USA	91.23
13	ARAG International Holding GmbH, Düsseldorf, Germany	94.93
14	ARAG IT GmbH, Düsseldorf, Germany	94.93
15	ARAG Krankenversicherungs-AG, Munich, Germany	88.53
16	ARAG Lebensversicherungs-AG, Munich, Germany	86.39
17	ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf, Germany	94.93
18	ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf, Germany	94.93
19	ARAG LLC, Des Moines, Iowa, USA	91.23
20	ARAG North America Inc., Des Moines, Iowa, USA	94.93
21	ARAG Österreich Allgemeine Rechtsschutz-Versicherungs-AG, Vienna, Austria	94.93
22	ARAG Plc., Bristol, Great Britain	94.93
23	ARAG S.A. Assurance en Protection Juridique, Brussels, Belgium	94.90
24	ARAG Service Center GmbH, Düsseldorf, Germany	94.93
25	ARAG Services LLC, Des Moines, Iowa, USA	94.93
26	ARAG zavarovanje pravne zascite d. d., Ljubljana, Slovenia	94.93
27	ARAG-Nederland Algemene Rechtsbijstand Verzekeringmaatschappij N.V., Leusden, Netherlands	94.74
28	ATE Limited, Skegness, England	94.93
29	COLUMBUS CAPITAL Service GmbH, Munich, Germany	86.39
30	Cur Versicherungsmakler GmbH, Düsseldorf, Germany	94.93
31	Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Düsseldorf, Germany	94.93
32	Cura GmbH & Co. KG, Düsseldorf, Germany	94.93
33	GWV-AVUS Beteiligungsmanagement GmbH, Munich, Germany	86.39

The following companies were included in the Consolidated Financial Statements:

	Name of company	Group share
		in percent
34	IGD Immobilien GmbH & Co. Dresden KG, Düsseldorf, Germany	90.09
35	IGD Immobilien GmbH, Düsseldorf, Germany	94.93
36	Interiura International AG, Düsseldorf, Germany	94.93
37	Interlloyd Versicherungs-AG, Düsseldorf, Germany	94.93
38	ITS-Haus GmbH Wohn- und Gewerbebau, Munich, Germany	86.39
39	Rechtswijzer B.V., Leusden, Netherlands	94.55
40	SolFin GmbH, Düsseldorf, Germany	71.29
41	TERRA Gesellschaft für Finanzdienstleistungen und Beratung mbH, Düsseldorf, Germany	94.93
42	WOWOBAU Wohnungsbaugesellschaft mbH, Munich, Germany	86.39

The following companies were included as associated companies:

	Name of company	Share held
		in percent
1	Allrecht Rechtsschutzversicherung AG, Düsseldorf, Germany	26.00
2	Janolaw AG, Sulzbach (through 30 September 2009), Germany	25.10
3	AXA-ARAG Rechtsschutzversicherungsgesellschaft, Zurich, Switzerland	29.17
4	HELP Forsikring AS, Oslo, Norway	44.58

The following companies were not included in the Consolidated Financial Statements in accordance with Art. 296 (2) HGB:

	Name of company	Group share	Equity	Profit/loss for year
		in percent	in euros	in euros
1	ABRAL Beteiligungsverwaltung GmbH, Munich, Germany	86.39	177,053.14	25,114.15
2	Agencia de Seguros Cap. ARAG S.A., Barcelona, Spain	94.93	163,546.42	35,219.68
3	ALVA Aktiengesellschaft, Munich, Germany	86.39	262,496.78	-6,918.67
4	ARAG International BV, Leusden, Netherlands	94.74	22,813.85	612.37
5	ARAG Legal Service S.L., Barcelona, Spain	94.93	202,313.49	-75,949.69
6	ARAG Service S.R.L., Verona, Italy	93.98	453,679.00	104,308.00
7	ARAG-France S.A.R.L. Assistance et Règlement de Sinistres Automobiles et Généraux, Rueil Malmaison, France	94.93	11,988.00	-994.00
8	ARCA-A GmbH, Munich, Germany	86.39	25,911.82	-67.44
9	ARCA-B GmbH, Munich, Germany	86.39	25,904.99	-112.42
10	ARCA-C GmbH, Munich, Germany	86.39	25,742.98	-277.54
11	ARCA-D GmbH, Munich, Germany	86.39	25,958.28	-128.32

The following companies were not included in the Consolidated Financial Statements in accordance with Art. 296 (2) HGB:

Name of company	Group share	Equity	Profit/loss for year
	in percent	in euros	in euros
12 ARCA-E GmbH, Munich, Germany	86.39	16,015.75	-291.75
13 ARCA-F GmbH, Munich, Germany	86.39	25,954.93	-128.32
14 ARCA-G GmbH, Munich, Germany	86.39	25,962.70	-128.32
15 ARCA-H GmbH, Munich, Germany	86.39	25,960.55	-128.32
16 ARCA-I GmbH, Munich, Germany	86.39	25,952.28	-260.62
17 ARCA-J GmbH, Munich, Germany	86.39	25,650.19	-140.83
18 ARCANSA Beteiligungsverwaltung GmbH	86.39	-412,374.07	53,379.92
19 ATE Group Services Limited, Skegness, England	94.93	84,741.48	-839.00
20 BuZ Vermittlungsgesellschaft mbH, Münster, Germany	86.39	-794,445.74	-20,076.72
21 Easy2claim Limited, Skegness, England	94.93	1.13	0.00
22 INTERIURA Deutschland GmbH, Düsseldorf, Germany	94.93	422,921.49	40,753.38
23 INTERIURA-Italy s. r. l., Verona, Italy	94.94	345,283.00	-8,847.00
24 INTERIURA Polska Spólka z organiczona odpowiedzialnoscia, Wroclaw, Poland	94.93	156,317.38	-23,394.76
25 INTERIURA Magyarország Nemzetközi Kárrendezési Kft., Budapest, Hungary	91.76	96,974.50	14,304.10
26 INTERIURA Schadenregulierungs-AG, Basel, Switzerland*	94.93	-3,922.19	15,561.99
27 INTERIURA Schadenregulierungsges. mbH, Vienna, Austria	94.93	936,840.29	11,405.42
28 INTERIURA Sociedade Internacional Reguladore de Sinistros Lda., Lisbon, Portugal	94.93	163,715.56	30,006.75
29 INTERIURA United Kingdom Limited, Manchester, Great Britain	94.93	343,488.40	-57,551.00
30 INTERIURA-Belgium s.p.r.l., Brussels, Belgium	94.81	549,312.22	61,420.86
31 INTERIURA-FRANCE S.A.R.L. Assistance et Règlement de Sinestres Automobiles et Généraux, Rueil Malmaison, France	94.93	353,008.00	-55,726.00
32 INTERIURA-INTERRECHT S.A., Barcelona, Spain	94.93	1,211,954.40	86,791.09
33 INTERIURA-Nederland Schadenregelingsbureau B.V., Leusden, Netherlands	94.93	170,232.00	9,968.00
34 INTERJURA Internationale Schadenregulierungsgesellschaft mbH, Athens, Greece	94.84	82,673.73	22,584.23
35 Prinzregent Immobilien Management GmbH, Berlin, Germany	86.39	742,367.49	324,230.39
36 Prinzregent Vermögensverwaltung-GmbH, Munich, Germany	86.39	32,217.43	292.98
37 Stella Gesellschaft mbH Werbeagentur, Düsseldorf, Germany	54.61	160,557.28	-1,494.46
38 VIA Beratungsgesellschaft mbH, Düsseldorf, Germany	92.61	446,471.04	26,805.72
39 VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf, Germany	94.93	77,460.40	47,031.81

Consolidation principles The Consolidated Financial Statements were prepared on the basis of the individual financial statements of the respective subsidiaries. The fiscal year comprises the period from 1 January to 31 December 2009 and is identical to all fiscal years of the subsidiaries involved.

The consolidation of capital was undertaken using the book-value method through offsetting of the acquisition costs of the shareholdings of the subsidiaries involved with their proportional equity as of the date they were first selected for consolidation. Any resulting asset side differences were allocated to the valuations of the assets of the respective subsidiary, insofar as valuation scope existed. The asset-side difference that exceeds the permissible attribution was in all cases stated as goodwill and depreciated over the anticipated period of use.

Insofar as subsidiaries were included in the 1989 Consolidated Financial Statements under application of Art. 27 EGHGB, or the asset-side difference represents a loss that was reflected in previous years' financial statements of the parent company, an open offsetting against the revenue reserves was performed in past years as per Art. 309 (1) sen. 3 HGB. The offsetting of differences and revenue reserves is now no longer performed for first-time consolidations, as this is no longer recognized under DRS 4 item 28. In the fiscal year under review, 36.1 percent of Cura GmbH & Co. KG and 28.3 percent of Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH was acquired by external shareholders. Both companies were a part of the scope of consolidation to date. The resulting asset-side difference of € 7.4 million was capitalized as goodwill after an extraordinary write-down of € 0.8 million was offset against this amount. The depreciation is offset over the period of use of five years. The liabilities-side difference of € 0.7 million was stated as such in the balance sheet pursuant to Art. 309 (3) HGB.

The acquisition of ATE Group Services Limited in the fiscal year under review resulted in an additional goodwill of € 4.2 million, for which a period of use of four years was assumed.

Liabilities-side differences from capital consolidation are stated as profit-relevant in the year in which the expected losses occur. In special cases, offsetting against revenue reserves was performed in an income-neutral manner in past years.

The final consolidation of the subsidiaries eliminated from the consolidation scope is always performed so as to be income-relevant by setting off the assets and liabilities of the subsidiary sold as a proportion of consolidated values against the sale proceeds. In the fiscal year under review, one service company was removed from the scope of consolidation on account of divestiture. This removal from the scope of consolidation resulted in costs of € 0.1 million. The holdings in associated companies were stated as the proportional equity or the Group's acquisition costs, respectively, in accordance with Art. 312 HGB. The values as of the time of acquisition, respectively the date of the first financial statement following acquisition, were used for the first-time application of the equity method, insofar as no interim financial statement was available. The diverging valuation of assets and debts of associated companies in their financial statements was not adjusted so as to enable application of the equity method.
Intra-Group profits subject to elimination were deducted from the valuations of the respective assets in an income-relevant manner, insofar as they are of more than minor significance for obtaining an accurate understanding of the asset, financial and earnings situation when taken as a whole. In the previous year, the discretionary right pursuant to Art. 341j (2) HGB was exercised and the elimination of intra-Group profits of € 3,189,391.22 was waived, as legal claims of holders of life insurance policies were constituted on this basis.
Accounts receivable and payable between Group subsidiaries were set off against each other.
Earnings from services between companies included in the Consolidated Financial Statements were set off against their respective shares of the costs of the service providers.
Mutual agency services of insurance companies included in the Consolidated Financial Statements are performed on the basis of standard, externally comparable market terms and conditions. The consolidation of commissions arising from agency services was performed in the Consolidated Financial Statements on the level of the company performing the service by setting these off against the associated costs.

Currency conversion The financial statements prepared in foreign currencies were converted into euros using the reporting-date principle on the basis of the mean exchange rate as of the date of accounting. The difference between the historical exchange rate and the equity converted at the exchange rate as of date of accounting that is attributable to the Group in the amount of € 581,075.74 was withdrawn from the revenue reserves in an income-neutral manner.

Accounting and valuation methods Preparation of these Consolidated Financial Statements conformed to the accounting and valuation regulations contained in Art. 341 ff. HGB.

To the greatest extent possible, the financial statements of the companies included in the Consolidated Financial Statements were prepared in a uniform manner using the accounting and valuation principles of the ARAG Group. Financial statements of subsidiaries that were not prepared according to HGB and RechVersV regulations have been adapted to German accounting principles following a rollover of amounts, breakdown and valuation, insofar as these are not associated companies.

The accounting and valuation methods of the German associated companies correspond to those of the Group subsidiaries. A Norway-based holding prepared its annual financial statement according to the Norwegian accounting statute, the Kredittilsynet. A further holding located in Switzerland prepared its annual financial statement according to the Swiss Code of Obligations. Adapting the financial statements was waived on account of the largely identical foreign accounting methodology with respect to HGB.

The financial statements of the significant associated companies present the following picture:

1. Allrecht Rechtsschutzversicherung AG

(in thousand euros)	2009	2008
A. Outstanding contributions	3,642	3,642
B. Intangible assets	1,859	1,167
C. Capital investments	87,703	90,095
D. Accounts receivable	2,115	1,754
E. Other assets	1,142	777
F. Accrued and deferred items	951	1,013
Balance sheet assets	**97,412**	**98,448**
A. Equity	17,277	17,024
B. Underwriting reserves	74,571	74,727
C. Other provisions	3,169	4,403
D. Liabilities	2,388	2,283
E. Accrued and deferred items	7	11
Balance sheet liabilities	**97,412**	**98,448**
I. Underwriting result	1,418	3,934
II. Income from capital investments	3,108	3,070
III. Other income/expenses	238	-253
IV. Tax expenditure	-1,511	-2,192
V. Net income	**3,253**	**4,559**

2. HELP Forsikring AS

(in thousand NOK)	2009	2008
A. Capital investments	91,623	52,481
B. Accounts receivable	16,755	2,593
C. Other assets	16,517	26,191
D. Accrued and deferred items	151	213
Balance sheet assets	**125,046**	**81,478**
A. Equity	47,667	44,057
B. Underwriting reserves	68,883	32,827
C. Liabilities	424	1,384
D. Accrued and deferred items	8,072	3,210
Balance sheet liabilities	**125,046**	**81,478**
I. Underwriting result	-13,750	-34,957
II. Income from capital investments	1,188	2,955
III. Tax expenditure	0	0
IV. Net loss	**-12,562**	**-32,002**

3. AXA-ARAG Rechtsschutzversicherung

(in thousand CHF)	2009	2008
A. Capital investments	150,498	135,106
B. Accounts receivable	15,364	10,273
C. Other assets	3,137	2,149
D. Accrued and deferred items	4,313	3,986
Balance sheet assets	**173,312**	**151,514**
A. Equity	27,942	19,085
B. Underwriting reserves	127,505	119,743
C. Other provisions	5,146	3,762
D. Liabilities	3,843	4,558
E. Accrued and deferred items	8,876	4,366
Balance sheet liabilities	**173,312**	**151,514**
I. Underwriting result	6,766	6,356
II. Income from capital investments	5,823	-1,059
III. Other income/expenses	-88	-110
IV. Tax expenditure	-2,644	-1,176
V. Net income	**9,857**	**4,011**

The Consolidated Balance Sheet and the Consolidated Statement of Profit and Loss were organized in virtually all respects using the forms specified in the RechVersV. As the Group is active in multiple lines of business, the balance sheet structure had to be expanded to include the line item "Real estate intended for sale and other assets of non-insurance companies", while the line items "Sales revenues of non-insurance subsidiaries" and "Production costs of performing the services for achieving the sales revenues of non-insurance subsidiaries" were added to the statement of profit and loss.

1 The goodwill results from capital consolidation as well as from enterprise acquisitions.
The depreciation period was determined as the anticipated useful life in accordance with DRS 4 item 31. This is assumed to be 15 years (portfolio value) for insurance companies and is estimated for other companies on a case-by-case basis.

2 Other intangible assets are stated at their acquisition costs, depreciated linearly. The book value of € 15,275,110.22 breaks down as € 208,683.55 for software under development (capital-investment management system), € 14,257,070.57 for IT software, € 721,280.20 attributable to goodwill from the acquisition of a company in the US, € 38,075.90 for tenant improvements to business premises in Italy and € 50,000.00 for an industrial property right. IT software is primarily depreciated linearly over three years. The goodwill resulting from the acquisition has a residual period of use of seven years. Tenant improvements are linearly depreciated over the remaining term of the lease. No depreciation was taken against the industrial property right. No unplanned write-downs were taken in the fiscal year under review.

3 Real estate is valued at its acquisition or production cost reduced by scheduled depreciation and write-downs according to the strict lower of cost or market principle. Extraordinary right-downs on real estate in the amount of € 3,795,822.02 was necessary in the fiscal year under review (previous year: € 0.00) on account of anticipated permanent impairment. Real estate with a book value of € 2,501,200.00 (previous year: € 2,980,791.97) is encumbered with land charges as security for bank liabilities.

4 Shares of affiliated companies not included in the Consolidated Financial Statements and the other holdings are valued at their acquisition costs in accordance with Art. 253 (2) HGB, reduced by extraordinary write-downs on account of permanent impairment. In the fiscal year under review, write-downs were taken on affiliated companies not included in the scope of consolidation in the amount of € 339,399.56 (previous year: € 52,482.18). Holdings in associated companies were valued at the book value at the time of acquisition of the shares or their initial inclusion in the Consolidated Financial Statements, respectively, increased or decreased by the proportional amount of equity changes in subsequent years. In the fiscal year under review, 2.6 percent of the shares of a Norwegian company were acquired for € 1,166,843.99. This corresponds to a proportional equity of € 981,875.66. The additional goodwill resulting from application of the equity method amounts to € 184,968.33 and is linearly depreciated over the remaining useful life of the existing goodwill of two years and three months, commencing as of 1 October 2009.

Due to the loss of governing influence over the business policy of Janolaw AG, this company was removed from the scope of associated companies. This necessitated an extraordinary write-down on the book value of the shareholding of € 114,716.89.

Lending to affiliated companies is always stated at par value. On account of difficulties relating to creditworthiness, extraordinary write-downs totaling € 115,000.00 were taken on one loan to each of two affiliated companies not included in the scope of consolidation.

5 Stocks, investment fund shares, bearer bonds and other fixed-interest securities are always valued in accordance with Art. 341b (2) HGB in connection with Art. 253 (1) and (3) HGB at acquisition cost or at the lower value at the day of accounting respectively. For investment fund shares and securities from the directly held portfolio attributed to capital investments in fiscal 2002, 2008 and 2009, an assessment of the value to be reported was taken in accordance with the strict lower of cost or market principle as provided for under Art. 253 (2) sen. 3 HGB in connection with Art. 279 (1) HGB. Write-downs were only taken to the extent that the underlying decline in value is considered to be permanent. In the fiscal year under review, write-downs in the amount of € 21,152,806.09 were required on account of the anticipated long-term loss of value.

Write-downs totaling € 19,056,043.42 were avoided through assignment to permanent use in business operations. Concurrently, valuation reserves amounting to € 16,466,823.55 exist.

In accordance with Art. 8a of the law governing senior part-time employment, investment-fund shares in the amount of € 4,008,792.16 (previous year: € 4,014,810.73) have been pledged to employees as security for performance arrears in accordance with the block model. Additionally, bearer bonds totaling € 1,086,000.00 are pledged as security for bank sureties.

6 The remaining lending consists of registered participation certificates, other loans and prepayments against insurance certificates. These are valued at the nominal value minus redemption payments.

7 Other lending, mortgages receivable, other similar rights, fixed-interest debts and other capital investments are stated at their par or redemption values, respectively. Depreciation according to Art. 253 (2) sen. 3 HGB in the amount of € 83,472.76 was taken. Discounts are distributed straight-line using the accrual method of income recognition. Premiums are carried as assets and released as scheduled over the duration.

8 Capital investments for the account and risk of life insurance policyholders is stated at current value. This valuation corresponds to the gross reserves stated on the liability side under item F.

9 Bank deposits are stated at par value.

10 Accounts receivable are always stated at par value. In the case of receivables against policyholders and for supply and performance, a general charge is made for the potential risk of nonpayment; receivables against agents are adjusted using individual bad debt charges plus a general charge equivalent to the expected bad debts.

11 According to Art. 253 (1) sen. 1 HGB tangible assets are capitalized at the acquisition cost decreased by straight-line depreciation over their normal period of use.

12 Supplies are determined by taking a physical inventory. These are valued at their procurement costs. The supplies of the non-insurance companies were valued at their cost of production, to which appropriate portions of general administrative costs and precisely calculable portions of financing costs attributable to the period of production have been added. Supplies with a book value of € 37,974,091.77 (previous year: € 28,109,287.80) of the Group's property development companies are encumbered with land charges in favor of the financing banks.

13 Other assets are stated at par value. Tax credits in accordance with Art. 37 (5) of the German Corporate Income Tax Act KStG are valued at their cash value based on a discount rate of 4.5 percent.

14 Accrued and deferred items mainly include deferred interest not yet payable in the period of income up to the day of accounting as well as disbursements that are payable as expenses after the date of accounting. This item also contains € 5,175,528.73 from the difference determined according to Art. 341c (2) sen. 2 HGB.

15 The tax deferment item in accordance with Art. 306 in conjunction with Art. 274 (2) HGB reflects the anticipated tax relief in subsequent fiscal years in the amount of the current or future income tax rates, respectively, insofar as their valuation is sufficiently reliable, on account of temporary differences between the commercial and the fiscal balance sheets in the individual financial statements, value adjustments to realize a uniform valuation in the Consolidated Financial Statements as well as consolidation measures. Deferment amounts arising from valuation differences between the commercial and the fiscal balance sheets in the individual financial statements were taken into account only to the extent that these existed in the individual financial statements themselves. Insofar as tax deferments are attributable to domestic subsidiaries, an unchanged tax rate of 30 percent was applied. All tax deferment items are attributable to chronological differences that are eligible for consideration for tax purposes. Tax liabilities for the revaluation of assets and liabilities to achieve a uniform Group valuation were dissolved entirely as of the date of accounting and taken into account as an expense in the amount of € 386,300.00. The tax expenditure includes a gain of € 5,368,985.00 from tax liabilities caused by consolidation actions. For this purpose a uniform earnings tax rate of 30 percent was assumed. The capitalized amount of tax liabilities from revaluation and consolidation as of 31 December 2009 amounts to € 6,512,985.00 and is stated together with the capitalized tax liabilities from the individual financial statements totaling € 8,066,028.39.

16 Lower-ranking liabilities were issued by means of a private placement in order to strengthen the own funds with respect to Group solvability. The lower-ranking bearer debentures were stated as liabilities at the repayment amount. These securities are not tradable on an organized market in Germany pursuant to Art. 2 (5) of the applicable securities statute.

17 Special reserve item: The special reserve item was formed entirely from Belgian advances on investment which will be set off against acquisitions in future. Changes in special reserve items in the individual financial statements formed on account of tax regulations were eliminated from the Consolidated Financial Statements in an income-relevant manner.

18 **Gross unearned premiums** for the self-contracted insurance business are calculated on the basis of written premiums and cancellations using the pro rata temporis method and reduced by the charges for installments contained therein. The unearned premiums of the domestic insurance subsidiaries are reduced by the portion ineligible for carrying forward in accordance with the memorandum of the German Finance Ministry (BMF) dated 30 April 1974. 85 percent of agent commissions and other compensation are classified as non-transferable parts of the revenues. In accordance with the German Insurance Association GDV, we are assuming that this rule has not been rescinded by the Finance Ministry memorandum IV C 9 – O 1000 – 86/5 of 7 June 2005 respecting the reduction of bureaucracy.

Reinsurers' portions of unearned premiums were assessed according to the contractual arrangements.

19 **Actuarial reserves** were calculated in accordance with actuarial principles established by the German Federal Financial Supervisory Authority on the basis of the business plan pursuant to Art. 341f HGB in connection with Art. 25 RechVersV and in the legal regulation issued on the basis of Art. 65 (1) of the German insurance oversight statute VAG. The actuarial reserves for the old portfolio within the meaning of Art. 11c VAG were calculated on the basis of the most recently approved business plan dated 29 August 1997.

These actuarial reserves were calculated using the prospective method with implicit consideration of future costs on an individual-policy basis. In this process, the following calculation basis was used for the settlement groups for individual term insurance policies and endowment insurance policies: actuarial interest rates of 3.0 percent and 3.5 percent, maximum zillmerization 35 per mil of insured amount (exception: rates with higher death benefit) as well as mortality rates according to the mortality tables ADSt 01/10, ADSt 24/26 M, ADSt 60/62 mod. M and ADSt 1986, separately for men and women.

The actuarial reserves for new insurance policies subject to premium payment were calculated on a contract-by-contract basis according to the prospective method with implied consideration of future administrative costs. In calculating the surrender values and balance-sheet actuarial reserves from rate structure 2008 on, the cost of sales was distributed over five years in accordance with the provisions of the German Insurance Contract Act VVG.

For non-contributory policies – particularly bonus insured amounts and insurance policies with an abbreviated contribution period – an explicit provision was formed for administrative costs in the non-contributory periods. The German Federal Financial Supervisory Authority has been informed of the calculation principles used in this calculation in compliance with Art. 13d No. 6 VAG.

The actuarial reserves for individual endowment insurance policies were calculated with an actuarial interest rate of 4.0 percent, 3.25 percent, 2.75 percent and 2.25 percent with a zillmerization rate of 33 and 40 per mil of the insured amount (depending on the rate structure) and mortality rates in accordance with mortality table DAV 1994 T, separately for men and women.

For individual pension insurance plans, the following calculation principles were applied through 2004: Actuarial interest rates of 4.0 percent, 3.25 percent and 2.75 percent, zillmerization rate of 33 per mil of the capital settlement respectively 40 percent of the premium amount and mortality rates in accordance with mortality table DAV 1994 R, separately for men and women.

Studies of the German association of actuaries Deutsche Aktuarvereinigung (DAV) with respect to longevity trends reveal that the mortality table DAV 1994 R is no longer appropriate for determining pension insurance reserves. In a guideline published on 21 June 2004, the DAV released new mortality tables for both new business and existing pension insurance portfolios. Under consideration of the individual company cancellation and capital settlement probabilities, the actuarial reserves for the entire portfolio of deferred and current pension insurance policies were thus also calculated according to the new tables as of 31 December 2009 and a positive difference of € 8.16 million between the old and new actuarial reserves was additionally allocated to the actuarial reserves.

Effective 1 January 2005, the rate structure for pension insurance according to the previous calculation basis was closed for new policies. Since then, new pension insurance policies have been concluded solely using rates according to the latest calculation base with actuarial interest rates of 2.75 percent (rate structure 2004) and 2.25 percent (rate structures 2007 and 2008), respectively.

For the generally marketed supplementary invalidity insurance rates, the invalidity tables DAV 1997 I with an actuarial interest rate of 2.75 percent (rate structure 2004), respectively 2.25 percent (rate structure 2007), were used. A verification calculation was performed for new supplementary invalidity insurance policies using older calculation bases according to the current calculation basis of the German Association of Actuaries. This revealed a follow-on reserve requirement of € 1.0 million.

Premium components from the expected non-contributory child accident insurance policies are transferred to the actuarial reserves for children's accidents. Calculation is performed according to mathematic principles as per the underwriting business plan.

20 Provisions for outstanding claims for the self-contracted property and accident insurance business are organized by year of occurrence, separated into those claims reported during the respective fiscal year and those reported after the day of accounting as well as those to be expected. In addition, reserves for claims settlement costs were calculated according to Art. 341g (1) HGB (for domestic subsidiaries according to the "Coordinated Regulations of the Federal States from 2 February 1973"). The provision for outstanding claims of the German property insurers was reduced by claim reimbursement receivables of € 1,249,086.67 expected to be realized in future.

In light of the incompatibility with the imparity principle, the provisions of Art. 20 (2) KStG (German corporate income-tax law) in connection with Art. 6 (1), no. 3a, letter a EStG (German income-tax law) (so-called "realistic valuation") were ignored for the domestic insurance subsidiaries.

The first-time application of the discounting principle within the meaning of Art. 6 (1) no. 3a letter e EStG to the domestic property insurance subsidiaries in 1999 resulted in an increase of the income tax assessment basis of € 19.8 million (of which € 5.3 million is attributable to liability/motorist liability). In assessing the income taxes for the fiscal year under review, one tenth (liability/motorist liability sector) of the initial amount was taken into consideration in accordance with the distribution provision pursuant to Art. 52 (16) sen. 6 EStG.

Provisions for outstanding claims for the assumed reinsurance business are stated according to the information provided by the direct insurer.

The portion of reinsured business was determined in accordance with the provisions of the reinsurance policies.

The provisions for life insurance claims and surrenders reported but not yet settled as of the day of accounting were formed on the basis of the expected benefits to be paid. Additional provision was made for claims from the fiscal year under review not yet reported as of the date of accounting on the basis of experience. The expenses for settling these insurance benefits expected to be incurred after the date of accounting were also provided for in accordance with tax regulations.

In accordance with the ruling of the German Federal Court respecting fiduciary proceedings issued on 12 October 2005 an additional lump-sum increase in the actuarial reserves was made for the affected non-contributory policies and for life insurance policies terminated through surrender a lump-sum increase in provisions was made for insurance claims not yet settled under consideration of the probable claim.

In the health insurance segment, this provision was determined on the basis of claim figures in the year under review for prior years under consideration of the increase in volume. A comparable method was applied for long-term care insurance. Special effects compared to the previous year were taken into account separately.

21 The fluctuation reserve for domestic subsidiaries was formed in compliance with the provisions of Art. 341h HGB in conjunction with Art. 29 RechVersV.

22 The cancellation reserve for discontinuation or reduction of the underwriting risk stated under the other underwriting reserves as well as the reserve for unused premiums in dormant motorist legal insurance and the reserve for premium exemption are calculated on the basis of anticipated requirements.

23 Pension reserves for the domestic subsidiaries are calculated on the basis of Art. 6a of the German income-tax law (EStG). Dr. Klaus Heubeck's table 2005G with an actuarial interest rate of 5.25 percent is used as a reference base for the calculation of the partial value. The discretionary right of Art. 28 (1) EGHGB to waive the establishment of pension reserves for prior commitments was not exercised.

The reserves for pensions in favor of employees and board members of foreign subsidiaries were formed and valued according to the respective national regulations. The discretionary right for indirect obligations under Art. 28 (1) sen. 2 EGHGB was not applied.

24 The reserves for early retirement obligations were formed solely to cover those persons having entitlements under the collective early retirement agreement that expired on 31 December 1997, as well as persons with analogous individual contractual guarantees. Calculation was performed according to actuarial principles. In the fiscal year under review, a reserve was set up in accordance with the old-age part-time agreement for the private insurance industry, adopted on 11 June 1997, based on the IDW's (Institute of Auditors) publication dated 18 November 1998, with an actuarial interest rate of 5.5 percent. The reserve concept takes into account the natural staff turnover and the probability that those candidates with whom no specific agreement has yet been made will make use of the early retirement provisions.

The **other reserves** are set at the level which is deemed necessary according to sound business judgment. A reserve for employee anniversary bonuses was formed in the year under review for special payments on the occasion of employee service anniversaries pursuant to Art. 6a EStG in accordance with the partial value, whereby a discount factor of 5.5 percent was assumed. The anticipated employee fluctuation was taken into account in the form of a general deduction on the cash value. Allowance was not made for the limitation for the tax calculation for German subsidiaries in keeping with Art. 52 (6) of the German income-tax law (EStG) in the consolidated balance sheet.

25 The **portfolio liabilities for reinsured insurance business** and the **other liabilities** are stated at their repayment values.

26 **Liabilities from the self-contracted insurance business** and **from reinsurance settlements** are stated at par value.

27 **Accrued and deferred items** contain differences in accordance with Art. 341c (2) sen. 1 HGB in the amount of € 881,553.27 (previous year: € 719,245.96).

28 **Deferred tax liability** The tax deferment item contains solely anticipated tax charges of subsequent fiscal years carried as liabilities in individual financial statements in accordance with Art. 274 (1) HGB.

29 **Group equity** A detailed representation of the Group's equity is presented on pages 80 and 81. This representation was compiled in compliance with DRS 7. The self-generated Group equity is stated as that portion of the Group's equity that was formed from the Group's net profit for the fiscal year under review and/or previous fiscal years. It comprises revenue reserves, profit carried forward and the net profit and is differentiated for the majorities and the minorities that directly or indirectly hold shares in the subsidiaries included in the Consolidated Financial Statements.

The remaining Group profit includes changes in the Group equity in the fiscal year under review which cannot be stated in the Statement of Profit and Loss due to commercial accounting principles and DRSC regulations and which are not due to received payments or disbursements on the shareholder level.

The equity of the top-level company is divided into 200,000,000 shares of no-par stock (common stock). The shares are registered in the respective names. All shares are fully paid in.

Associated companies The total of all goodwill from inclusion of associated companies under application of the equity method amounts to € 2,318,405.41. Through the acquisition of a share in a Norwegian insurance company in the fiscal year under review, the total goodwill value increased by € 184,963.33. In the fiscal year under review, a total of € 1,384,274.57 of the goodwill of the associated companies was depreciated in an income-relevant manner.

30 II. Source of Insurance Business by Premiums Written

	Self-contracted business				Assumed reinsurance business	
Country/origin (in euros)	Legal insurance	Property and accident	Life insurance	Health insurance	Legal insurance	Property and accident
Germany	301,151,954.24	190,405,687.58	200,578,387.82	255,433,986.41	2,747,611.66	4,109.48
Spain	51,229,786.61	30,894,880.43			20,381,043.21	6,921,908.54
Netherlands	78,246,992.00				33,107,913.00	
USA	45,115,978.14				2,762,616.84	
Austria	47,284,392.85				552,835.77	
Italy	32,965,893.84				40,344,232.70	
Belgium	19,983,276.29				306,045.39	
Greece	2,875,213.80				1,569,383.75	
Slovenia	1,816,756.47					
England					3,152,488.06	
Total	**580,670,244.24**	**221,300,568.01**	**200,578,387.82**	**255,433,986.41**	**104,924,170.38**	**6,926,018.02**

31 III. Development of Assets B., C. I. through IV. in Fiscal 2009

Development of assets

(in euros)	Balance-sheet values 1 January 2009	Purchases	Added/removed from scope of consolidation	Transfers
B. Intangible assets				
1. Costs for start-up and expansion of business activity	0.00	0.00	0.00	0.00
2. Purchased goodwill	33,900,321.28	11,649,335.64	0.00	0.00
3. Other intangible assets	13,452,763.28	6,224,309.77	-8,676.00	
Total B.	**47,353,084.56**	**17,873,645.41**	**-8,676.00**	**0.00**
C. I. Real estate, comparable rights and buildings including those on third-party property	**170,480,995.88**	**42,198,595.26**	**0.00**	**0.00**
C. II. Capital investments in affiliated companies and shareholdings				
1. Shares in affiliated companies	3,816,076.33	249,644.00	0.00	0.00
2. Lending to affiliated companies	3,392,102.59	380,000.00	0.00	0.00
3. Shareholdings	84,162,459.14	7,938,775.67	0.00	256,989.15
4. Lending to companies with which a shareholding relationship exists	425,636.60	0.00	0.00	-311,143.00
5. Total C. II.	**91,796,274.66**	**8,568,419.67**	**0.00**	**-54,153.85**
C. III. Other capital investments				
1. Stocks, investment fund shares and other non-fixed interest securities	1,900,084,178.08	224,285,167.02	0.00	-1,429,137.09
2. Bearer bonds and other fixed-interest securities	374,287,555.26	206,862,138.44	0.00	1,429,137.09
3. Mortgages receivable, other similar rights and fixed-interest debts	237,900,944.24	7,397,351.91	0.00	0.00
4. Other lending				
a) Registered debentures	881,071,331.97	110,246,308.76	0.00	0.00
b) Promissory notes and loans	955,557,953.50	248,000,758.40	0.00	0.00
c) Loans and advance disbursements on insurance policies	82,190,638.04	9,572,863.82	0.00	0.00
d) Remaining lending	66,922,158.92	598,239.39	0.00	311,143.00
5. Bank deposits	236,596,490.50	0.00	-892.65	0.00
6. Other capital investments	388,180.09	0.00	0.00	-256,989.15
7. Total C. III.	**4,734,999,430.60**	**806,962,827.74**	**-892.65**	**54,153.85**
Total C. I. through C. III.	**4,997,276,701.14**	**857,729,842.67**	**-892.65**	**0.00**
C. IV. Portfolio assets from assumed reinsurance business	**4,932,620.93**	**0.00**	**0.00**	**0.00**
Total capital investments	**5,002,209,322.07**	**857,729,842.67**	**-892.65**	**0.00**

Real estate, comparable rights and buildings including those on third-party property with a balance-sheet value of € 108,613,059.49 (previous year: € 114,606,729.13) were used by the Group's insurance companies for their own operations.

Sales	Currency rate adjustments	Write-ups	Write-downs	Balance-sheet values 31 December 2009	Current values according to German statutory provisions (Art. 54 RechVersV)	Hidden reserves (in k €)
0.00	0.00	0.00	0.00	0.00	0.00	0
0.00	0.00	0.00	5,405,217.56	40,144,439.36	0.00	0
310,775.08	-22,331.62	0.00	4,060,180.13	15,275,110.22	0.00	0
310,775.08	**-22,331.62**	**0.00**	**9,465,397.69**	**55,419,549.58**	**0.00**	**0**
6,734,502.97	**0.00**	**0.00**	**8,595,182.04**	**197,349,906.13**	**281,799,420.47**	**84,450**
22,499.00	0.00	0.00	339,399.56	3,703,821.77	13,629,804.23	9,926
400,000.00	0.00	0.00	115,000.00	3,257,102.59	3,257,102.59	0
5,235,179.24	0.00	0.00	3,481,461.82	83,641,582.90	116,578,996.98	32,937
1,168.30	0.00	0.00	0.00	113,325.30	113,325.30	0
5,658,846.54	**0.00**	**0.00**	**3,935,861.38**	**90,715,832.56**	**133,579,229.10**	**42,863**
166,525,560.48	-103,370.53	21,733,642.50	11,656,989.66	1,966,387,929.84	1,961,093,274.74	-5,295
138,786,250.02	-848,630.77	3,102,521.52	769,111.73	445,277,359.79	452,160,513.43	6,883
27,564,034.29	0.00	24,123.50	83,472.76	217,674,912.60	242,204,420.64	24,530
99,167,121.13	0.00	0.00	0.00	892,150,519.60	907,274,741.12	15,124
228,608,231.03	0.00	45,180.91	0.00	974,995,661.78	1,009,939,272.71	34,944
12,943,799.16	0.00	0.00	0.00	78,819,702.70	78,819,702.70	0
2,056,556.01	0.00	0.00	4,744,083.84	61,030,901.46	61,030,901.46	0
68,321,516.82	-10,650.42	0.00	0.00	168,263,430.61	168,263,430.61	0
29,383.00	0.00	0.00	-0.01	101,807.95	101,807.95	0
744,002,451.94	**-962,651.72**	**24,905,468.43**	**17,253,657.98**	**4,804,702,226.33**	**4,880,888,065.36**	**76,186**
756,395,801.45	**-962,651.72**	**24,905,468.43**	**29,784,701.40**	**5,092,767,965.02**	**5,296,266,714.93**	**203,499**
258,190.21	**0.00**	**0.00**	**0.00**	**4,674,430.72**	**4,674,430.72**	**0**
756,653,991.66	**-962,651.72**	**24,905,468.43**	**29,784,701.40**	**5,097,442,395.74**	**5,300,941,145.65**	**203,499**

IV. Additional Information

Write-ups Write-ups in accordance with Art. 280 (1) HGB were carried out in the fiscal year under review in the amount of € 24,905,468.43 (previous year: € 4,232,918.67).

Notes on liabilities Liabilities with a remaining term of more than five years exist in the amount of € 2,171,532.34 (previous year: € 3,138,792.64) from premium deposits in life insurance. Debts to financial institutions in the property development business in the amount of € 16,404,114.98 (previous year: € 14,746,713.25) are secured by property liens.

Other financial obligations within the meaning of Art. 285 no. 3 HGB In the real estate development sector, the financial obligations for completed building contracts of current business operations, for buildings under construction as well as for real estate purchase contracts amount to € 23,052,831.56. In addition, warranties toward customers in the amount of € 1,368,676.52 exist on account of property development business.

On the basis of a loan granted to an insurance broker, an obligation to pay out a further partial loan installment of € 4,500,000.00 on 1 January 2012 exists. Rental contracts and leases with varying terms for premises, vehicles, office equipment as well as hardware and software of a computer center which were not contracted within the context of insurance business give rise to total annual obligations within the normal scope for our industry.

The Group is liable for the following outstanding capital contributions that have not been called in:

Outstanding contributions

Name of company	in euros
Allrecht Rechtsschutzversicherung AG	947,000.00
INVESCO Beteiligungsverwaltungs GmbH & Co. KG	461,966.13
RREEF Pan European Infrastructure Feeder GmbH & Co. KG	3,135,589.65
IVZ Immobilien Verwaltungs GmbH & Co. Finanzanlagen KG	1,223,867.81
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG	250,402.32

Liability relationships Pursuant to Art. 124ff. VAG, ARAG Lebensversicherungs-AG is a member of the guarantee fund for life insurers. On the basis of the relevant official regulation, the guarantee fund charges annual contributions of no more than 0.2 per mil of the total of net underwriting reserves until a security fund of one per mil of the total net underwriting reserves has been formed. The future obligations from this for the Group amount to € 52,791.21. The security fund can also levy extraordinary contributions in the amount of a further per mil of the total net underwriting reserves; this is equivalent to an additional obligation of € 3,245,035.27. Additionally, ARAG Lebensversicherungs-AG has undertaken to provide the security fund or alternatively Protektor Lebensversicherungs-AG with funds should the resources of the security fund prove inadequate. This obligation amounts to one percent of the total net underwriting reserves under offsetting of the contributions already paid into the security fund at this time. When the above contribution obligations from premium payments to the security fund are included, the total obligation as of the day of accounting is € 29,384,697.25.

32 **Unrealized gains from capital investments** The figure stated here represents the difference between the current value of capital investments at the beginning and end of the fiscal year for the account and risk of life insurance policyholders. A corresponding cost is included in the line item “Change in other net underwriting reserves”.

Write-downs on capital investments Special tax write-offs on capital investments were not taken in the fiscal year under review. Extraordinary write-downs in the amount of € 339,399.56 were taken on shares in associated companies not included in the scope of consolidation and € 115,000.00 on lending to companies not included in the scope of consolidation. Shareholdings were subjected to an unplanned write-down in the amount of € 3,481,461.82. In addition, unplanned write-downs totaling € 17,253,657.98 were taken on other capital investments.

Auditor’s fee The firm of PricewaterhouseCoopers AG, Düsseldorf, acted as the auditor of the Consolidated Financial Statements. The German Group subsidiaries reserved € 675,000.00 for financial-statement auditing services including expenses and the non-deductible value-added tax. A total of € 323,420.61 was expended for other consulting services. The auditor of the Consolidated Financial Statements did not perform any other services.

33 The gross cost of insurance business comprise

(in euros)	2009	2008
Sale of insurance policies	233,761,997.20	223,456,746.23
Administration of insurance policies	216,196,645.56	223,771,947.77
Total costs	**449,958,642.76**	**447,228,694.00**

34 Costs for premium rebates for own account

(in euros)	2009	2008
Costs for profit-linked premium rebates	39,159,391.77	32,869,783.09
Costs for non-profit-linked premium rebates	2,026,060.61	2,586,304.45
Total costs	**41,185,452.38**	**35,456,087.54**

Commissions and other compensation for insurance representatives, employee costs

(in euros)	2009	2008
1. Commissions of all types for insurance representatives within the meaning of Art. 92 HGB for self-contracted insurance business	199,311,606.62	196,256,576.97
2. Other compensation for insurance representatives within the meaning of Art. 92 HGB	7,507,190.65	7,846,077.63
3. Wages and salaries	165,762,941.16	163,528,870.70
4. Social security and support expenses	30,099,116.63	30,695,930.83
5. Expenses for pension plans	14,843,766.27	17,153,059.35
6. Total costs	**417,524,621.33**	**415,480,515.48**

Average employment for year On average over the entire year, the companies completely included in the Consolidated Financial Statements employed 3,362 (previous year: 3,306) persons. As of 31 December 2009, the ARAG Group employed a total of 3,484 persons (31 December 2008: 3,384 persons).
The insurance companies employed 3,016 (previous year: 2,941) persons on average. On average, 346 persons (previous year: 365) were employed in the management and service companies. The German Group subsidiaries additionally employed some 23 (previous year: 21) vocational trainees.

Compensation of the Supervisory Board and Board of Management of ARAG AG Compensation for the Supervisory Board amounted to € 208,397.47.
The compensation for the board members of the parent companies of all Group subsidiaries amounted to € 1,041,470.75. There are no current pensions or vested pension rights for former Board members or their survivors.

Düsseldorf, 18 May 2010

Board of Management

Dr. Paul-Otto Faßbender Dr. Karl-Heinz Strohe

Statement of Consolidated Cash Flow for Fiscal Year 2009

Consolidated cash flow statement

(in euros)	2009	2008
I. Cash flow from current business		
Net income	18,830,376	3,778,187
Change in net underwriting reserves	130,003,014	73,349,336
Change in portfolio assets and liabilities and settlement assets and liabilities	-6,282,165	-4,681,696
Change in other assets and liabilities	3,107,875	-33,534,341
Profit/loss from sale of capital investments	-16,086,304	-3,754,526
Changes in other assets and liabilities	7,810,793	13,443,578
Depreciation on intangible assets	9,465,398	7,896,508
Write-downs on capital investments	29,785,266	116,494,531
Write-ups on capital investments	-36,910,241	-4,468,498
Effects of currency exchange rates	389,320	-682,261
Cash flow from current business	**141,525,735**	**167,840,818**
II. Cash flow from investment activities		
Payments received from sale and maturity of other capital investments	772,482,105	588,943,825
Disbursements for the purchase of other capital investments	-857,729,843	-748,322,429
Payments received from the sale of capital investments of mutual fund-linked life insurance	33,114,880	25,195,500
Disbursements for the sale of capital investments of mutual fund-linked life insurance	-46,848,066	-34,000,582
Other payments received	320,343	1,218,178
Other disbursements	-17,873,645	-11,491,949
Cash flow from investment activities	**-116,534,226**	**-178,457,457**
III. Cash flow from financing activities		
Shareholder contributions	0	0
Dividend payments	-10,000,000	-10,000,000
Payments and disbursements from other financing activities	0	0
Cash flow from financing activities	**-10,000,000**	**-10,000,000**
Effective changes in cash reserves	**14,991,509**	**-20,616,639**
Cash reserves at start of fiscal year	54,510,822	75,127,461
Cash reserves at end of fiscal year	69,502,331	54,510,822
Change in cash reserves in fiscal year	**14,991,509**	**-20,616,639**

35 Statement of Equity

Development over the course of the fiscal year

(in euros)	Subscribed capital	Unpaid contributions not yet called in	Self-generated Group equity	Balancing item for currency conversion	Equity according to consolidated balance sheet
I. Parent company					
Status as of 31 December 2008	200,000,000.00	0.00	38,592,755.56	-1,476,112.65	237,116,642.91
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-10,000,000.00		-10,000,000.00
Changes in the scope of consolidation			0.00		0.00
Other changes			2,009,473.48	-581,075.74	1,428,397.74
Group profit/loss for year			18,830,376.00		18,830,376.00
Other Group/profit loss					0.00
Overall Group profit/loss for year			18,830,376.00	0.00	18,830,376.00
Status as of 31 December 2009	**200,000,000.00**	**0.00**	**49,432,605.04**	**-2,057,188.39**	**247,375,416.65**
II. Minority shareholders					
Status as of 31 December 2008	0.00	0.00	32,306,337.37	-62,489.61	32,243,847.76
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-1,754,207.26		-1,754,207.26
Changes in the scope of consolidation			0.00		0.00
Other changes			-2,342,800.26	-34,720.89	-2,377,521.15
Group profit/loss for year			2,202,557.64		2,202,557.64
Other Group/profit loss					0.00
Overall Group profit/loss for year			2,202,557.64	0.00	2,202,557.64
Status as of 31 December 2009	**0.00**	**0.00**	**30,411,887.49**	**-97,210.50**	**30,314,676.99**
III. Group equity					
Status as of 31 December 2008	200,000,000.00	0.00	70,899,092.93	-1,538,602.26	269,360,490.67
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-11,754,207.26		-11,754,207.26
Changes in the scope of consolidation					0.00
Other changes			-333,326.78	-615,796.63	-949,123.41
Group profit/loss for year			21,032,933.64		21,032,933.64
Other Group/profit loss					0.00
Overall Group profit/loss for year			21,032,933.64	0.00	21,032,933.64
Status as of 31 December 2009	**200,000,000.00**	**0.00**	**79,844,492.53**	**-2,154,398.89**	**277,690,093.64**

Development in previous year

(in euros)	Subscribed capital	Unpaid contributions not yet called in	Self-generated Group equity	Balancing item for currency conversion	Equity according to consolidated balance sheet
I. Parent company					
Status as of 31 December 2007	200,000,000.00	0.00	48,479,031.48	-2,194,807.94	246,284,223.54
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-10,000,000.00		-10,000,000.00
Changes in the scope of consolidation			-1,432.70		-1,432.70
Other changes			-1,179,196.67	718,695.29	-460,501.38
Group profit/loss for year			1,294,353.45		1,294,353.45
Other Group/profit loss					0.00
Overall Group profit/loss for year			1,294,353.45	0.00	1,294,353.45
Status as of 31 December 2008	**200,000,000.00**	**0.00**	**38,592,755.56**	**-1,476,112.65**	**237,116,642.91**
II. Minority shareholders					
Status as of 31 December 2007	0.00	0.00	32,413,312.31	-110,007.46	32,303,304.85
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-3,487,162.70		-3,487,162.70
Changes in the scope of consolidation			-1,212,224.68		-1,212,224.68
Other changes			2,108,578.89	47,517.85	2,156,096.74
Group profit/loss for year			2,483,833.55		2,483,833.55
Other Group/profit loss					0.00
Overall Group profit/loss for year			2,483,833.55	0.00	2,483,833.55
Status as of 31 December 2008	**0.00**	**0.00**	**32,306,337.37**	**-62,489.61**	**32,243,847.76**
III. Group equity					
Status as of 31 December 2007	200,000,000.00	0.00	80,892,343.79	-2,304,815.40	278,587,528.39
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			-13,487,162.70		-13,487,162.70
Changes in the scope of consolidation			-1,213,657.38		-1,213,657.38
Other changes			929,382.22	766,213.14	1,695,595.36
Group profit/loss for year			3,778,187.00		3,778,187.00
Other Group/profit loss					0.00
Overall Group profit/loss for year			3,778,187.00	0.00	3,778,187.00
Status as of 31 December 2008	**200,000,000.00**	**0.00**	**70,899,092.93**	**-1,538,602.26**	**269,360,490.67**

Segment Reporting – Balance Sheet

	Legal insurance		Composite		Life insurance	
(in thousand euros)	2009	2008	2009	2008	2009	2008
A. Intangible assets	**12,127**	**12,222**	**21**	**0**	**-268**	**264**
B. Capital investments	**1,622,287**	**1,574,986**	**515,327**	**504,019**	**2,591,952**	**2,605,586**
I. Real estate and buildings including those on third-party property	83,037	90,960	32,717	36,160	73,824	34,910
II. Capital investments in affiliated companies and shareholdings	409,014	369,189	80,223	80,962	160,351	162,419
III. Other capital investments	1,125,588	1,109,925	402,360	386,876	2,357,778	2,408,257
IV. Portfolio assets from assumed reinsurance business	4,647	4,912	27	21	0	0
C. Capital investments for the account and risk of life insurance policyholders	**0**	**0**	**0**	**0**	**56,191**	**30,453**
D. Other assets by segment	**209,779**	**208,715**	**5,666**	**28,362**	**99,692**	**102,238**
Total segment assets	**1,844,192**	**1,795,922**	**521,013**	**532,381**	**2,747,566**	**2,738,542**
A. Underwriting reserves	**1,073,274**	**1,028,782**	**342,229**	**337,110**	**2,430,835**	**2,438,454**
I. Unearned premiums	178,686	175,359	35,512	36,122	6,487	7,968
II. Actuarial reserves	0	0	2	3	2,314,297	2,323,014
III. Provisions for outstanding claims	888,961	848,250	281,602	286,014	17,510	17,513
IV. Provisions for premium rebates	8	19	0	0	160,150	163,902
V. Fluctuation provision	3,455	2,617	61,979	55,591	0	0
VI. Other underwriting reserves	2,408	2,678	2,244	2,749	77	75
VII. Reinsurers' share of underwriting reserves	-245	-141	-39,111	-43,369	-67,686	-74,019
B. Underwriting reserves in the life insurance segment, insofar as the investment risk is borne by the policyholders	**0**	**0**	**0**	**0**	**56,191**	**30,453**
C. Other liabilities by segment	**318,594**	**315,609**	**44,558**	**72,227**	**140,390**	**149,353**
Total segment liabilities	**1,391,867**	**1,344,391**	**386,787**	**409,336**	**2,627,416**	**2,618,260**
Equity*						
Total liabilities						

* Group equity including shares of other shareholders and difference from capital consolidation

This segment reporting has been largely adapted to conform with applicable German regulatory requirements and accounting standard DRS 3-20 of the German Standardization Council (DSR).
The segment figures are represented after consolidation of internal transactions within the respective line of business. Reconciliation with the consolidated value is shown by the information in the column "Consolidation".
The definition of segment by strategic lines of business was undertaken according to the internal organization and management structure of the ARAG Group. The chosen segments reflect the risks and opportunities of the Group.
The strategic lines of business are:
– Legal insurance
– Composite insurance
– Life insurance
– Health insurance
– Services and asset management

Health insurance		Services and asset management		Total		Consolidation		Group total	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
37	49	4,174	4,354	16,090	16,889	39,329	30,464	55,420	47,353
895,731	810,281	344,811	350,572	5,970,108	5,845,443	-872,665	-843,234	5,097,442	5,002,209
0	0	8,850	9,528	198,427	171,559	-1,078	-1,078	197,350	170,481
19,368	19,940	293,348	301,443	962,304	933,953	-871,588	-842,157	90,716	91,796
876,364	790,341	42,613	39,601	4,804,702	4,734,999	0	0	4,804,702	4,734,999
0	0	0	0	4,674	4,933	0	0	4,674	4,933
0	0	0	0	56,191	30,453	0	0	56,191	30,453
22,231	23,373	84,850	36,437	422,218	399,126	1,530	-4,576	423,748	394,550
917,999	833,704	433,835	391,363	6,464,606	6,291,911	-831,806	-817,346	5,632,800	5,474,565
874,212	786,201	0	0	4,720,549	4,590,546	0	0	4,720,549	4,590,546
320	328	0	0	221,006	219,777	0	0	221,006	219,777
769,421	689,899	0	0	3,083,721	3,012,916	0	0	3,083,721	3,012,916
39,655	36,064	0	0	1,227,728	1,187,841	0	0	1,227,728	1,187,841
64,488	59,863	0	0	224,646	223,784	0	0	224,646	223,784
0	0	0	0	65,434	58,208	0	0	65,434	58,208
327	48	0	0	5,056	5,550	0	0	5,056	5,550
0	0	0	0	-107,042	-117,530	0	0	-107,042	-117,530
0	0	0	0	56,191	30,453	0	0	56,191	30,453
11,206	16,562	62,966	31,615	577,714	585,366	0	-1,161	577,714	584,205
885,418	802,762	62,966	31,615	5,354,454	5,206,366	0	-1,161	5,354,454	5,205,205
								278,347	269,360
								5,632,800	5,474,565

In addition to the top-level parent company and the other asset-managing intermediate holding companies, the service and asset management companies include the residential real estate development companies, property management companies, IT enterprises and insurance support service companies.

The life insurance segment additionally comprises subsidiaries active as service providers in the life insurance field but are themselves not insurance companies. In the previous year a subsidiary in England active as a broker was transferred from the segment "Legal insurance" to the segment "Services and asset management" as registration as an insurance company is no longer being sought in the medium term.

The income tax charge from profit pooling relationships was attributed to the segment of the subsidiary in accordance with the economic situation.

Segment Reporting – Statement of Profit and Loss by Type of Insurance

	Legal insurance		Composite		Life insurance	
(in thousand euros)	2009	2008	2009	2008	2009	2008
Underwriting result						
Gross premiums written	**685,594**	**684,556**	**228,227**	**236,533**	**200,578**	**205,986**
Self-contracted business	580,670	589,203	221,301	230,332	200,578	205,986
Assumed business	104,924	95,353	6,926	6,201	0	0
Premiums for reinsured business	-1,649	-865	-5,691	-11,125	-2,044	-2,279
Change in net unearned premiums	-4,851	-7,328	664	-232	514	683
Earned premiums for own account	**679,094**	**676,362**	**223,199**	**225,175**	**199,049**	**204,390**
Premiums from gross provisions for premium rebates	0	0	0	0	15,619	16,602
Assigned capital gains from underwriting account	0	0	591	609	117,567	118,026
Unrealized profits from capital investments	0	0	0	0	12,005	236
Other underwriting result for own account	2,049	1,278	1,105	1,372	8,069	1,669
Total underwriting result	**681,142**	**677,640**	**224,895**	**227,156**	**352,308**	**340,922**
Underwriting costs						
Cost of claims for own account	-414,280	-364,443	-116,643	-122,924	-231,094	-241,392
Change in other net underwriting reserves	270	-955	524	-173	-22,181	15,310
Costs for premium rebates	10	5	0	0	-27,293	-17,461
profit-linked portion	0	5	0	0	-27,293	-17,461
non-profit-linked portion	10	0	0	0	0	0
Unrealized losses from capital investments	0	0	0	0	-1	-17,627
Cost of insurance business	-279,881	-280,449	-85,679	-83,716	-41,015	-38,731
portion attributable to costs of sales	-143,037	-137,454	-23,109	-24,257	-30,043	-29,375
portion attributable to administrative costs	-136,873	-143,047	-63,226	-65,410	-9,029	-9,316
reinsurance portion	28	52	657	5,951	-1,943	-40
Assigned capital expenditures from underwriting account	0	0	0	0	-16,278	-38,926
Other underwriting costs for own account	11	-35	-1,017	-1,003	-5,341	-4,011
Total underwriting costs	**-693,870**	**-645,878**	**-202,814**	**-207,815**	**-343,202**	**-342,839**
Subtotal	**-12,728**	**31,762**	**22,081**	**19,342**	**9,106**	**-1,917**
Change in fluctuation reserve and similar provisions	-838	-2,267	-6,388	9,587	0	0
Underwriting result for own account	**-13,566**	**29,496**	**15,693**	**28,928**	**9,106**	**-1,917**
Income from capital investments	76,571	58,227	21,893	17,949	117,567	118,026
Costs of capital investments	-30,039	-64,194	-5,440	-9,060	-16,278	-38,926
Income from capital investments	**46,532**	**-5,967**	**16,454**	**8,890**	**101,289**	**79,099**
Capital investment income assigned to underwriting account	0	0	-591	-609	-101,289	-79,099
Revenues	0	0	0	0	0	0
Production costs	0	0	0	0	0	0
Gross operating result	**0**	**0**	**0**	**0**	**0**	**0**
Other earnings	13,746	20,926	1,646	2,518	1,800	2,833
Other costs	-42,120	-53,379	-5,038	-5,999	-2,623	-4,132
Other income/expenses	**-28,374**	**-32,453**	**-3,392**	**-3,481**	**-824**	**-1,299**
Profit on ordinary activities	**4,592**	**-8,924**	**28,163**	**33,728**	**8,282**	**-3,217**
Extraordinary operating result	**0**	**0**	**0**	**0**	**0**	**0**
Operating result before taxes	**4,592**	**-8,924**	**28,163**	**33,728**	**8,282**	**-3,217**
Tax expenditure*	-5,910	-6,765	-11,883	-10,106	-2,828	176
Net income	**-1,317**	**-15,689**	**16,280**	**23,621**	**5,454**	**-3,040**
External components	0	0	0	0	0	0
Group profit/loss for year	**-1,317**	**-15,689**	**16,280**	**23,621**	**5,454**	**-3,040**

* The tax expenditure was allocated in accordance with the economic reason (as in the previous year as well).

Health insurance		Services and asset management		Total		Consolidation		Group total	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
255,434	**233,944**	**0**	**0**	**1,369,833**	**1,361,019**	**0**	**0**	**1,369,833**	**1,361,019**
255,434	233,944	0	0	1,257,983	1,259,465	0	0	1,257,983	1,259,465
0	0	0	0	111,850	101,553	0	0	111,850	101,553
-5	-5	0	0	-9,389	-14,274	0	0	-9,389	-14,274
8	8	0	0	-3,665	-6,869	0	0	-3,665	-6,869
255,437	**233,948**	**0**	**0**	**1,356,779**	**1,339,876**	**0**	**0**	**1,356,779**	**1,339,876**
3,486	10,670	0	0	19,105	27,272	0	0	19,105	27,272
35,162	32,663	0	0	153,320	151,298	220	0	153,540	151,298
0	0	0	0	12,005	236	0	0	12,005	236
233	190	0	0	11,455	4,508	0	0	11,455	4,508
294,318	**277,471**	**0**	**0**	**1,552,664**	**1,523,189**	**220**	**0**	**1,552,884**	**1,523,189**
-147,548	-131,381	0	0	-909,565	-860,139	0	0	-909,565	-860,139
-79,802	-72,692	0	0	-101,189	-58,509	0	0	-101,189	-58,509
-13,903	-18,000	0	0	-41,185	-35,456	0	0	-41,185	-35,456
-11,867	-15,414	0	0	-39,159	-32,870	0	0	-39,159	-32,870
-2,037	-2,586	0	0	-2,026	-2,586	0	0	-2,026	-2,586
0	0	0	0	-1	-17,627	0	0	-1	-17,627
-44,642	-38,370	0	0	-451,216	-441,267	0	0	-451,216	-441,267
-37,573	-32,370	0	0	-233,762	-223,457	0	0	-233,762	-223,457
-7,069	-6,000	0	0	-216,197	-223,772	0	0	-216,197	-223,772
0	0	0	0	-1,258	5,962	0	0	-1,258	5,962
-1,164	-9,974	0	0	-17,442	-48,901	-80	0	-17,522	-48,901
-564	-453	0	0	-6,911	-5,502	0	0	-6,911	-5,502
-287,622	**-270,870**	**0**	**0**	**-1,527,509**	**-1,467,402**	**-80**	**0**	**-1,527,589**	**-1,467,402**
6,695	**6,601**	**0**	**0**	**25,155**	**55,787**	**140**	**0**	**25,295**	**55,787**
0	0	0	0	-7,226	7,320	0	0	-7,226	7,320
6,695	**6,601**	**0**	**0**	**17,929**	**63,107**	**140**	**0**	**18,069**	**63,107**
35,162	32,663	3,459	3,662	254,652	230,528	0	-2,048	254,652	228,479
-1,164	-9,974	-1,299	-2,728	-54,219	-124,882	-80	0	-54,299	-124,882
33,998	**22,689**	**2,161**	**934**	**200,433**	**105,645**	**-80**	**-2,048**	**200,353**	**103,597**
-33,998	-22,689	0	0	-135,878	-102,397	-140	0	-136,018	-102,397
0	0	83,991	122,931	83,991	122,931	-40,964	-81,974	43,026	40,958
0	0	-84,776	-123,735	-84,776	-123,735	40,964	81,974	-43,812	-41,761
0	**0**	**-786**	**-803**	**-786**	**-803**	**0**	**0**	**-786**	**-803**
1,003	392	1,678	6,072	19,873	32,740	7,084	-855	26,957	31,885
-1,715	-1,960	-5,299	-8,355	-56,796	-73,825	-5,409	454	-62,205	-73,372
-712	**-1,568**	**-3,622**	**-2,283**	**-36,923**	**-41,085**	**1,675**	**-401**	**-35,249**	**-41,486**
5,984	**5,033**	**-2,246**	**-2,152**	**44,775**	**24,467**	**1,595**	**-2,450**	**46,369**	**22,017**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
5,984	**5,033**	**-2,246**	**-2,152**	**44,775**	**24,467**	**1,595**	**-2,450**	**46,369**	**22,017**
-2,294	-858	-2,422	-685	-25,336	-18,239	0	0	-25,336	-18,239
3,690	**4,174**	**-4,669**	**-2,838**	**19,438**	**6,228**	**1,595**	**-2,450**	**21,033**	**3,778**
0	0	0	0	0	0	-2,203	-2,484	-2,203	-2,484
3,690	**4,174**	**-4,669**	**-2,838**	**19,438**	**6,228**	**-608**	**-4,934**	**18,830**	**1,294**

Segment Reporting – Statement of Profit and Loss by Domestic and International Business

	Domestic	
(in thousand euros)	2009	2008
Underwriting result		
Gross premiums written	**953,474**	**956,472**
Self-contracted business	947,570	953,349
Assumed business	5,904	3,123
Premiums for reinsured business	-7,843	-13,524
Change in net unearned premiums	2,593	1,329
Earned premiums for own account	**948,224**	**944,277**
Premiums from gross provisions for premium rebates	19,105	27,272
Assigned capital gains from underwriting account	153,320	151,298
Unrealized profits from capital investments	12,005	236
Other underwriting result for own account	11,182	4,245
Total underwriting result	**1,143,836**	**1,127,328**
Underwriting costs		
Cost of claims for own account	-673,751	-660,868
Change in other net underwriting reserves	-101,600	-57,461
Costs for premium rebates	-41,196	-35,461
profit-linked portion	-39,159	-32,875
non-profit-linked portion	-2,037	-2,586
Unrealized losses from capital investments	-1	-17,627
Cost of insurance business	-270,449	-264,671
portion attributable to accounting costs	-119,348	-112,189
portion attributable to administrative costs	-149,604	-158,330
reinsurance portion	-1,497	5,848
Assigned capital expenditures from underwriting account	-17,442	-48,901
Other underwriting costs for own account	-6,922	-5,467
Total underwriting costs	**-1,111,360**	**-1,090,456**
Subtotal	**32,476**	**36,872**
Change in fluctuation reserve and similar provisions	-6,388	9,587
Underwriting result for own account	**26,088**	**46,459**
Income from capital investments	222,993	207,148
Costs of capital investments	-49,087	-106,616
Income from capital investments	**173,906**	**100,532**
Capital investment income assigned to underwriting account	-135,878	-102,397
Revenues	83,991	122,931
Production costs	-84,776	-123,735
Gross operating result	**-786**	**-803**
Other earnings	25,707	30,887
Other costs	-50,707	-65,027
Other income/expenses	**-25,000**	**-34,140**
Profit on ordinary activities	**38,331**	**9,650**
Extraordinary operating result	**0**	**0**
Operating result before taxes	**38,331**	**9,650**
Tax expenditure*	-20,990	-9,385
Net income	**17,341**	**265**
External portions	0	0
Group profit/loss for year	**17,341**	**265**

* The tax expenditure was allocated in accordance with the economic reason (as in the previous year as well).

International		Total		Consolidation		Group total	
2009	2008	2009	2008	2009	2008	2009	2008
416,359	404,547	1,369,833	1,361,019	0	0	1,369,833	1,361,019
310,413	306,116	1,257,983	1,259,465	0	0	1,257,983	1,259,465
105,946	98,430	111,850	101,553	0	0	111,850	101,553
-1,546	-750	-9,389	-14,274	0	0	-9,389	-14,274
-6,258	-8,198	-3,665	-6,869	0	0	-3,665	-6,869
408,555	395,598	1,356,779	1,339,876	0	0	1,356,779	1,339,876
0	0	19,105	27,272	0	0	19,105	27,272
0	0	153,320	151,298	220	0	153,540	151,298
0	0	12,005	236	0	0	12,005	236
273	262	11,455	4,508	0	0	11,455	4,508
408,828	395,861	1,552,664	1,523,189	220	0	1,552,884	1,523,189
-235,813	-199,271	-909,565	-860,139	0	0	-909,565	-860,139
411	-1,049	-101,189	-58,509	0	0	-101,189	-58,509
10	5	-41,185	-35,456	0	0	-41,185	-35,456
0	5	-39,159	-32,870	0	0	-39,159	-32,870
10	0	-2,026	-2,586	0	0	-2,026	-2,586
0	0	-1	-17,627	0	0	-1	-17,627
-180,768	-176,596	-451,216	-441,267	0	0	-451,216	-441,267
-114,414	-111,267	-233,762	-223,457	0	0	-233,762	-223,457
-66,593	-65,442	-216,197	-223,772	0	0	-216,197	-223,772
239	114	-1,258	5,962	0	0	-1,258	5,962
0	0	-17,442	-48,901	-80	0	-17,522	-48,901
11	-35	-6,911	-5,502	0	0	-6,911	-5,502
-416,149	-376,946	-1,527,509	-1,467,402	-80	0	-1,527,589	-1,467,402
-7,321	18,915	25,155	55,787	140	0	25,295	55,787
-838	-2,267	-7,226	7,320	0	0	-7,226	7,320
-8,160	16,648	17,929	63,107	140	0	18,069	63,107
31,659	23,380	254,652	230,528	0	-2,048	254,652	228,479
-5,132	-18,266	-54,219	-124,882	-80	0	-54,299	-124,882
26,527	5,114	200,433	105,645	-80	-2,048	200,353	103,597
0	0	-135,878	-102,397	-140	0	-136,018	-102,397
0	0	83,991	122,931	-40,964	-81,974	43,026	40,958
0	0	-84,776	-123,735	40,964	81,974	-43,812	-41,761
0	0	-786	-803	0	0	-786	-803
-5,833	1,854	19,873	32,740	7,084	-855	26,957	31,885
-6,090	-8,799	-56,796	-73,825	-5,409	454	-62,205	-73,372
-11,923	-6,945	-36,923	-41,085	1,675	-401	-35,249	-41,486
6,444	14,817	44,775	24,467	1,595	-2,450	46,369	22,017
0	0	0	0	0	0	0	0
6,444	14,817	44,775	24,467	1,595	-2,450	46,369	22,017
-4,347	-8,854	-25,336	-18,239	0	0	-25,336	-18,239
2,097	5,963	19,438	6,228	1,595	-2,450	21,033	3,778
0	0	0	0	-2,203	-2,484	-2,203	-2,484
2,097	5,963	19,438	6,228	-608	-4,934	18,830	1,294

Auditor's Report*

We have examined the Consolidated Financial Statements of ARAG Aktiengesellschaft, Düsseldorf – consisting of the balance sheet and statement of profit and loss, appendix, statement of cash flow and statement of equity as well as reporting by segments – and the Group Management Report for the fiscal year from 1 January to 31 December 2009. The Board of Management of the Company is responsible for preparation of the Consolidated Financial Statements and Group Management Report in compliance with German commercial regulations. Our task is to provide an assessment of the year-end Consolidated Financial Statements and the Group Management Report on the basis of our audit.

We carried out our audit of the year-end Consolidated Financial Statements in accordance with Art. 317 HGB (German Commercial Code) under consideration of the IDW's (Institute of Auditors) rules on proper auditing of year-end financial statements. These stipulate that the audit must be planned and conducted in such a manner that misstatements and violations that have a significant effect on the understanding of assets, finances and earnings as conveyed by the year-end Consolidated Financial Statements in accordance with the rules on proper accounting, and the Group Management Report, are identified with a sufficient level of certainty. In determining the specific procedure of the audit, knowledge of the nature of the business and the economic and legal background of the Group as well as possible errors to be expected are taken into consideration. The audit assesses the efficiency of the internal account auditing system and the documentation of the data given in the year-end Consolidated Financial Statements and the Group Management Report primarily on the basis of random checks. The audit comprises the evaluation of the year-end financial statements of the companies included in the Consolidated Financial Statements, the scope of consolidation, the applied accounting and consolidation methods and the key estimates of the Board, as well as an evaluation of the overall representation of the Consolidated Financial Statements and the Group Management Report. It is our opinion that our audit provides a sufficiently sound basis for our assessment.

Our audit has not resulted in any objections.

In our assessment on the basis of our understanding gained in the course of the audit, the Consolidated Financial Statements comply with the legal requirements and convey an accurate impression of the assets, finances and earnings situation of the Group. The Group Management Report accords with the Consolidated Financial Statements and conveys an accurate picture of the condition of the Company, and accurately represents the opportunities and risks attendant on in its future development.

Düsseldorf, 21 May 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Alfons Koch	Christian Sack
Auditor	Auditor

* Voluntary translation. It should be noted that only the German Auditor's Report, which is based on the audit of the German version of the Company's annual financial statements, is authoritative.

Report of the Supervisory Board

Throughout the fiscal year under review, the Supervisory Board continually monitored and deliberated on the conduct of the Company's business. To this end, six meetings of the Supervisory Board were convened, and the Supervisory Board took decisions through the written resolution procedure in two cases. Oversight was performed on the basis of the reports and oral information provided by the Board of Management, which informed the Supervisory Board in a timely and complete manner on all relevant issues of planning and business development of the Company and its holdings, the risk situation and risk management. The Supervisory Board was also kept extensively informed of projects and plans that were of particular importance for the Company or of an urgent nature between meetings. In the meetings, the Board of Management coordinated the strategic orientation of the Group with the Supervisory Board. The Supervisory Board was involved in decisions of fundamental importance to the Group. The progress of strategy implementation was regularly discussed in the meetings. Deliberations in the meetings of the Supervisory Board focused on such issues as: the effects of the financial crisis on the Group and security measures, important new requirements for managing boards, supervisory boards and annual meetings on account of the Act on the Appropriateness of Managing Board Compensation (VorstAG), the Act to Strengthen Financial Market and Insurance Supervision (VAG revision), the Accounting Law Modernization Act (BilMoG), the Act Regarding the Implementation of the Shareholder Rights Directive (ARUG) and the German Code of Corporate Governance.

The Supervisory Board also concerned itself with the project for implementing the minimum risk management standards (MaRisk VA), strategic acquisitions and sales of shares of holdings. The Supervisory Board also deliberated on real estate sales in the Group.

No special monitoring actions were necessary in the fiscal year under review. The Supervisory Board is of the opinion that the Board of Management conducts the business legally, properly and to appropriate ends. Specifically, the Board of Management is fulfilling its obligation to ensure the sustained existence of the Group and its long-term profitability.

The Supervisory Board has reviewed the Consolidated Financial Statements and the Group Management Report. As part of this review, this body exercised its authority pursuant to Art. 111 (2) AktG, in particular through the inspection of the books and correspondence of the Group subsidiaries. The examination was conducted on the basis of the regular reports of the Board of Management, in which information respecting the business situation and all important events was disclosed both in writing and orally, as well as on the basis of the accounting requirements of commercial law.

The scope of the examination of the Consolidated Financial Statements extended to the discretionary reporting and valuation rights exercised by the Board of Management. This examination led to the following result:

1. The accounting of the Board of Management complies with the legal requirements and the regulations of the Company statute. The Group Management Report is in accord with the Consolidated Financial Statements.
2. Discretionary decisions with respect to accounting policy were taken to the benefit of the Group.

The auditing firm PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the Consolidated Financial Statements as of 31 December 2009 under consideration of the Group accounting, and the Group Management Report, as authorized by the Supervisory Board and has certified these reports without reservation. The audit report was submitted to the Supervisory Board on time. After reviewing the report on the basis of its own final examination, the Supervisory Board concurs with the opinion of the auditor of the Consolidated Financial Statements. There are no remarks to be made regarding the Auditor's Report.
In its final conclusion of its review of the Consolidated Financial Statements, the Group Management Report and the Auditor's Report, the Supervisory Board raises no objections.

Düsseldorf, 7 June 2010

Chairman, Supervisory Board

Gerd Peskes

Governing Bodies of the Company

Supervisory Board	The Supervisory Board is made up of the following persons:	
	Gerd Peskes	Auditor, Essen, Chairman
	Prof. Dr. Dr. h.c. Rolf Dubs	Professor, St. Gallen, Switzerland, Vice-Chairman
	Dr. Tobias Bürgers	Attorney, Munich
Board of Management	**Dr. Paul-Otto Faßbender**	Attorney, Düsseldorf
	Dr. Karl-Heinz Strohe	Attorney, Cologne

Information

ARAG provides a broad range of information about the ARAG Group, its insurance products and services in the form of numerous publications as well as extensive Web-based content. And as a legal specialist, ARAG's information offerings would be incomplete without a range of selected tips and guides on legal questions. If you have any questions, desire an insurance quote or are merely seeking sound, accurate information: get in touch with us, or visit us online.

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