# Flexible, connected, agile

# The ARAG Group at a Glance

**Premium income/sales revenue:**

€ 1.72 billion

↗ 2014: € 1.65 billion

**Combined ratio:**

92.3 %

↘ 2014: 95.5 %

**Underwriting result for own account:**

€ 66.1 million

↗ 2014: € 60.6 million

**Consolidated equity:**

€ 426 million

↗ December 31, 2014: € 401 million

**Profit from ordinary activities:**

€ 66.7 million

↘ 2014: € 84.5 million

**Net income for the year before non-controlling interests:**

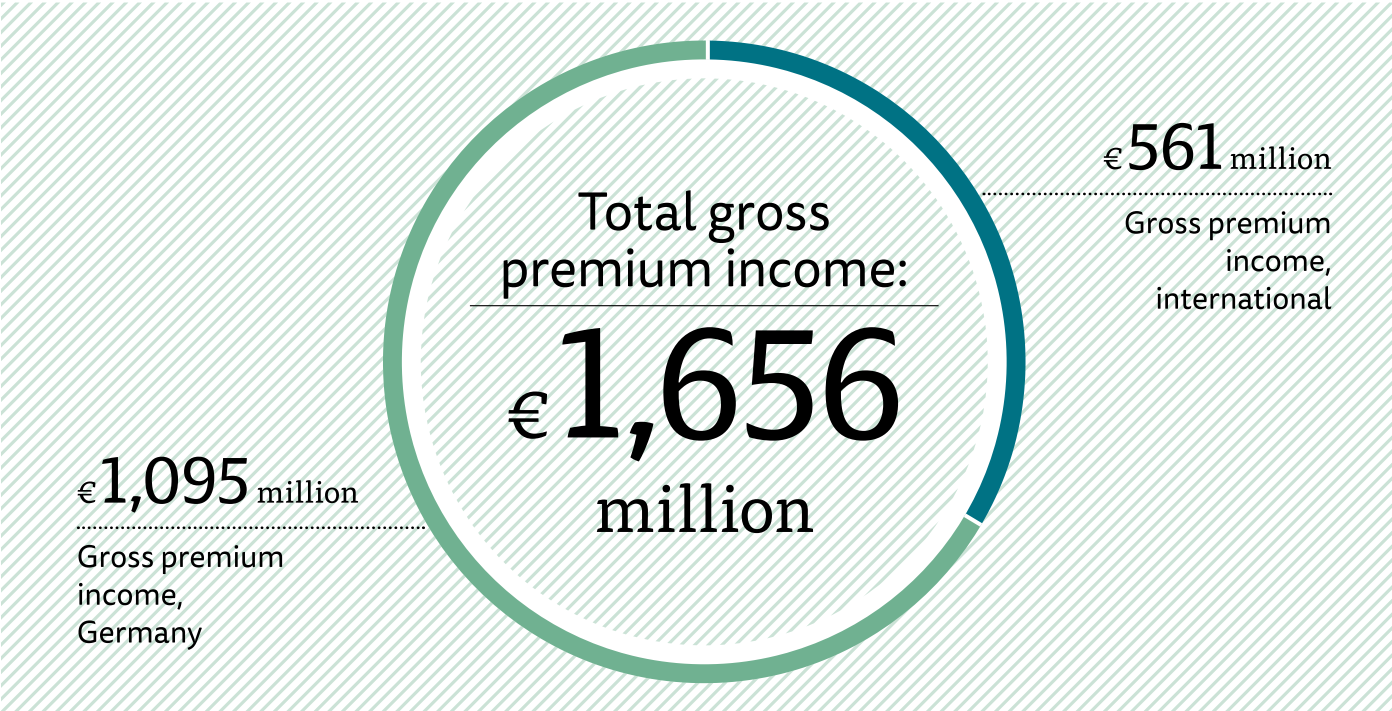
€ 29.2 million

↘ 2014: € 47.2 million

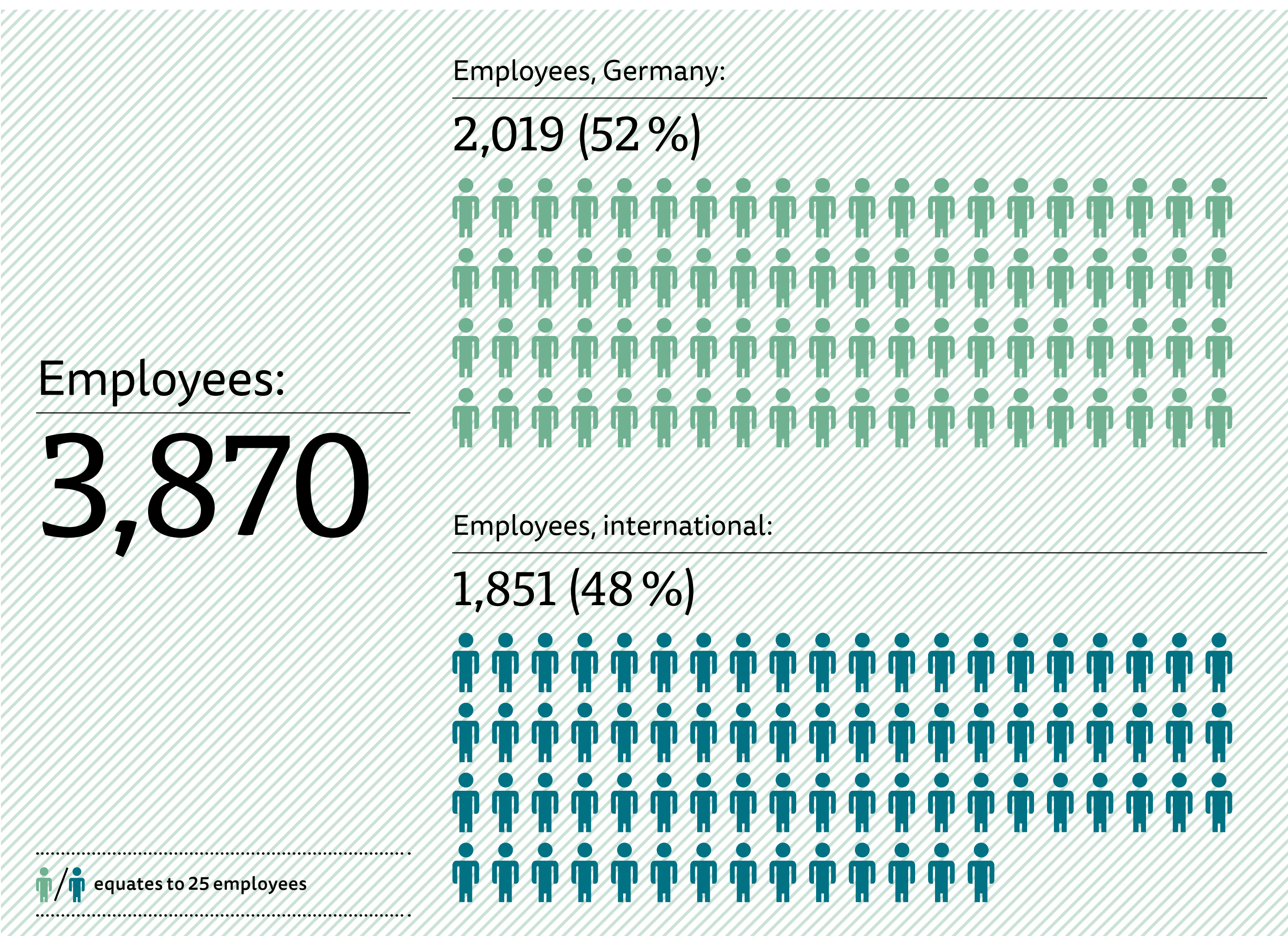
**Flexible, connected, agile**

The advance of digitalization in the insurance sector is unstoppable. That is why we are specifically preparing ARAG, which is an agile company, and its products and services for these changes. We have already laid the foundations in the form of numerous suitable digital solutions. Now we need to focus directly on our customers' constantly changing requirements while maintaining our flexibility. We are helped in this regard by our position as an independent family enterprise with many of the characteristics of a medium-sized enterprise with an international presence. Short decision-making channels and close integration enable us to act with a strong customer focus and thereby reaffirm our role as a multifaceted and innovative provider of high-quality insurance products.

Gross premium income broken down by domestic and international business




Number of employees and breakdown



## Insurance segments in the ARAG Group and their parent operating companies

### Legal insurance
ARAG SE

€ 842 million*

2014:

€ 787 million*

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

### Casualty and property insurance
ARAG Allgemeine Versicherungs-AG

€ 247 million*

2014:

€ 239 million*

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

### Health insurance
ARAG Krankenversicherungs-AG

€ 347 million*

2014:

€ 340 million*

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

### Life insurance
ARAG Lebensversicherungs-AG

€ 220 million*

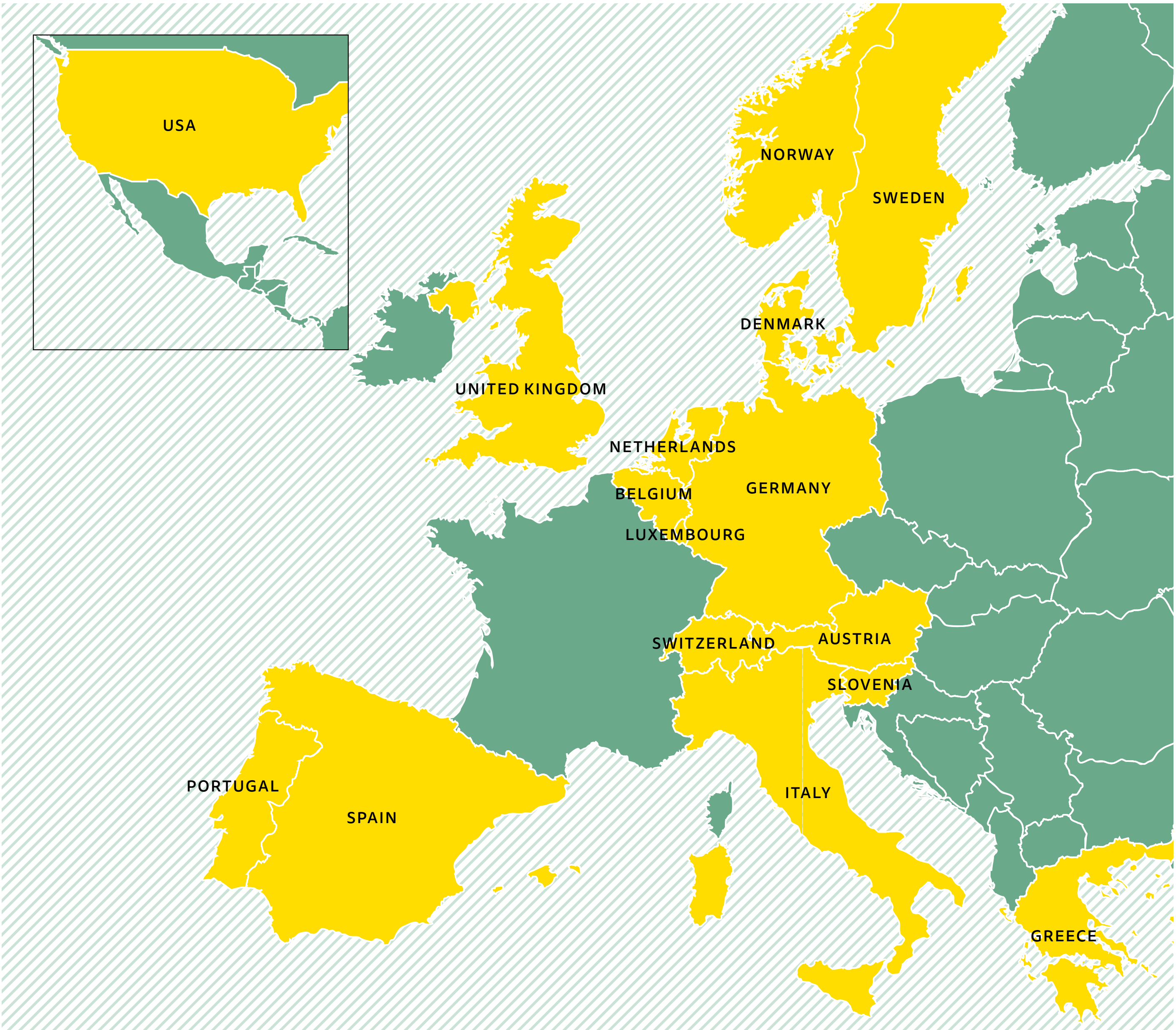
2014:

€ 222 million*

Mutual-fund-linked pension insurance, private pension insurance (incl. Riester/Rürup plans), endowment life insurance, term life insurance, disability insurance, supplementary survivors' insurance and supplementary accidental death insurance, company pension plans

* Gross premium income

## Countries in which the ARAG Group operates




## Accolades received by the ARAG Group (selection)

The 2014 ARAG Group annual report emerged as a **Silver Winner Worldwide** in a competition run by **the League of American Communications Professionals (LACP).** The ARAG INTandem international HR development program received **third prize in the InnoWard training award** presented by BWV, the German insurance industry's vocational training organization. In the **Corporate Health Award,** ARAG gained a distinction **for the fifth time** for its ARAGcare occupational health management scheme.

Internet policy ARAG web@ktiv Plus was the **winner** in the 'Insurance' category of **Deutscher Kunden-Innovationspreis 2015**, a German award for creative, customer-oriented product and service solutions. ARAG health insurance continued to be the most popular supplementary health insurance among brokers, coming **first** in the **AssCompact Trends** for the **34th quarter in succession**. In the **3rd Italy Protection Awards,** ARAG Italy was chosen as the **best insurer and reinsurer** for legal insurance.

In the **Underwriting Service Awards** in the United Kingdom, ARAG plc was named **Legal Expenses Team of the Year** for the third time, **Underwriting Service Awards Team of the Year** for the second time and, for the very first time, **Managing General Agents Team of the Year**. ARAG Netherlands' own products and products sold through partners **came out top** in tests of legal insurance carried out by the **Dutch Consumers' Association**.

**BenchmarkPortal** classified ARAG North America's customer center as one of its **top 100 call centers** for the fifth time. The **Des Moines Register** listed the Company as one of its **top workplaces in 2015**. The Group's **advertising and marketing activities** attracted numerous **awards** from trade associations. In a **consumer study** focusing on legal insurance, ARAG Austria was **number one** in the customer service category.

**ADECOSE** broker organization voted ARAG Spain **most popular legal insurer** and **most popular travel assistance company**. In a ranking of websites carried out by **Innovación Aseguradora**, ARAG Spain was **placed fifth** out of 64 insurance companies, but was ranked as high as **third** for **online sales**. ARAG Greece received a **prize** for providing free legal advice to the **Club for UNESCO of Piraeus and Islands**.

# The ARAG Group

## Asset and investment management

**ARAG Holding SE**

## Operating Group Holding Company and legal insurance

**ARAG SE**

- Central Group Functions
- Group Development, Business Organization
- Group Sales
- Products and Innovation
- Group Finance
- Group IT and Operations
- Group Risk Management / Controlling

## Operating insurance companies

- **ARAG Allgemeine Versicherungs-AG** (Casualty and property insurance)
- **ARAG Lebensversicherungs-AG** (Life insurance)
- **ARAG Krankenversicherungs-AG** (Health insurance)
- **Interlloyd-Versicherungs-AG** (Specialized in broker sales)
- **International companies** (Legal insurance/legal services)

## Service companies

- **ARAG IT GmbH** (IT services for the ARAG Group)
- **Cura Versicherungsvermittlung GmbH** (Brokerage firm)
- **ARAG Service Center GmbH** (Emergency telephone service)

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# Overview

## ARAG Holding SE Key Figures – Consolidated Financial Statements

| (€ million) | 2015 | Change | 2014 | 2013 |
|---|---|---|---|---|
| **Sales revenue** | | | | |
| Gross premiums written | **1,656.1** | **4.3 %** | 1,588.2 | 1,530.1 |
| Premiums earned for own account | **1,631.2** | **4.1 %** | 1,567.6 | 1,516.4 |
| Revenue of non-insurance companies | **66.6** | **15.6 %** | 57.6 | 50.2 |
| **Expenses** | | | | |
| Claims incurred net of reinsurance | **974.6** | **– 1.1 %** | 985.9 | 935.7 |
| Claims ratio (basis: premiums earned) | **59.7 %** | **– 3.2 % pts.** | 62.9 % | 61.7 % |
| Own account insurance business operating expenses | **530.7** | **3.8 %** | 511.5 | 485.4 |
| Cost ratio (basis: premiums earned) | **32.5 %** | **– 0.1 % pts.** | 32.6 % | 32.0 % |
| **Net income overview** | | | | |
| Underwriting result for own account | **66.1** | **9.1 %** | 60.6 | 52.5 |
| Gains and losses on investments | **211.0** | **– 22.9 %** | 273.5 | 222.6 |
| of which included in underwriting result | **158.0** | **– 21.4 %** | 201.0 | 163.0 |
| Other net income/expense | **– 57.0** | **– 3.6 %** | – 55.0 | – 41.8 |
| Profit/loss from ordinary activities | **66.7** | **– 21.1 %** | 84.5 | 76.1 |
| Net income for the year before non-controlling interests | **29.2** | **– 38.1 %** | 47.2 | 48.8 |
| **Technical provisions/ net premiums earned** | **350.8 %** | **– 2.4 % pts.** | 353.2 % | 351.6 % |

# Profile of the ARAG Group

## Overview

The ARAG Group is the largest family enterprise in the German insurance industry and is one of the world's three leading providers of legal insurance. ARAG was established 80 years ago exclusively as a legal insurance company, but has now positioned itself as an international insurer of considerable renown offering innovative, high-quality insurance products. The Company aims to generate growth across all insurance segments in Germany as well as exploit the potential for expansion in the international legal insurance business. Today, the ARAG Group operates in a total of 16 countries (Germany, 14 other European countries, and the US) through branches, subsidiaries, and equity investments. It generates sales revenue and premiums of approximately €1.7 billion and employs more than 3,800 people.

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

## Legal insurance

In its core legal insurance segment, ARAG plays a major role in shaping its markets both in Germany and abroad with innovative products and services. For some years now, the international legal insurance business has been the Group's most significant area of activity. The international ARAG units involved in this business are a valuable source of impetus for growth, helping to ensure the successful performance of the Group as a whole. In September 2015, the Group commenced operations in Denmark, a new market with very good prospects. At the same time, ARAG SE is also back on course to perform well in its German domestic market where it is generating rising legal insurance premiums.

## Casualty and property insurance

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

## Personal insurance

In the private health insurance market, ARAG Kranken (ARAG Health) offers a broad range of highly efficient products, emphasizing its appeal as a provider of full-coverage and supplementary health insurance. Back in 2006, ARAG Leben (ARAG Life) converted its range of products from traditional life insurance policies to the successful fund-linked 'ARAG FoRte 3D' family of products.

Dr. Dr. h. c. Paul-Otto Faßbender

# Introduction

The performance of the ARAG Group in 2015 exceeded our own expectations. Overall, ARAG demonstrated itself to be in good shape, enjoyed significant growth with premiums up by 4.3 percent, and remained profitable. The dynamic growth of the last few years was therefore consolidated into a clear uptrend. The Group is effectively positioned with sound domestic and international business diversification. The corporate strategy is delivering robust results.

The international business once again provided significant stimulus for growth, with premiums in this business increasing by 7.7 percent. It is worth emphasizing that ARAG's international operations are highly profitable. Double-digit growth rates are being achieved in the US and in Scandinavia. Markets in southern Europe remained challenging, but ARAG nevertheless performed strongly in these markets and continued to expand its business.

The Group managed to generate growth of 2.6 percent in the German market, which was well above average. The critical factor was that this premium growth was accompanied by an expansion in the customer base in real terms. The German legal insurance business saw a leap in premiums of almost 6 percent, emphatically bringing the previous periods of weak performance to an end. The health insurance business, ARAG's largest area of business in Germany, also outperformed the market.

ARAG managed to bring about the substantial expansion in both the domestic and international businesses while maintaining profitability. The underwriting profit therefore amounted to €66 million, well above the prior-year level despite the improved growth rates. The combined ratio fell significantly from 95.5 percent to 92.3 percent.

At the end of the reporting year, the German Federal Financial Supervisory Authority (BaFin) approved ARAG's partial internal risk model for calculating the requirements under Solvency II. This is a key milestone for a Group of our size. In Germany, only three other insurance companies have successfully come through the very demanding approval process. The internal risk model enables ARAG to achieve significant improvements in the modeling of its risk structure. If standard modeling were used, risks in the legal insurance portfolio would be overstated. The ARAG Group identified this problem at an early stage and has significantly strengthened the competitiveness of the business by introducing the partial internal risk model.

In 2015, ARAG celebrated the 80th anniversary of the establishment of the Company and it has never been in such good shape. However, idly standing by, waiting for something to happen is not the style at ARAG, which is motivated by a desire for change and improvement. These principles continue to be the driving force behind the onward development of the ARAG Group for the benefit of its customers.

Paul-Otto Faßbender

Dr. Dr. h. c. Paul-Otto Faßbender

# Group Management Report

**Changes in premium income and sales revenue**

| *(€ million)* | **2015** | **2014** | **2013** |
|---|---|---|---|
| **Legal insurance** | **841.7** | 787.2 | 746.9 |
| of which domestic | 330.5 | 312.5 | 300.6 |
| of which international | 511.2 | 474.7 | 446.3 |
| **Casualty and property insurance** | **246.6** | 238.8 | 226.5 |
| of which domestic | 197.2 | 192.8 | 183.7 |
| of which international | 49.4 | 46.0 | 42.8 |
| **Life insurance** | **220.3** | 221.6 | 225.0 |
| **Health insurance** | **347.5** | 340.5 | 331.7 |
| **Service companies** | **66.6** | 57.6 | 50.2 |
| **Total** | **1,722.7** | 1,645.7 | 1,580.3 |

- The ARAG Group is enjoying strong growth of 4.7 percent
- Premium growth in Germany is well above the market rate
- Premiums up by 7.7 percent in international markets
- All segments are generating positive contributions to earnings
- The underwriting result has improved once again despite the expansion in business
- The Group is benefiting from its focus on property and health insurance business

# Group Management Report

## I. Group Fundamentals

The ARAG Group is the largest family-managed insurance company in Germany and is one of the world's three leading providers of legal insurance. It focuses on state-of-the-art product concepts aimed at both private and small business customers. An important role is also played by customized legal insurance products designed for particular target groups. ARAG is a provider of high-quality insurance with a multidimensional approach, offering its customers in Germany not only its core legal insurance policies but also needs-based products and services through its highly efficient subsidiaries operating casualty and property, health, and life insurance business.

ARAG began to operate outside Germany for the first time more than 50 years ago. The main purpose was to set up separate international companies in the Group that could provide support for the German legal insurance customers in the event of a claim. It became clear that this model in itself was not sustainable. However, there was a demand for legal insurance within each of the countries themselves, as a result of which it was possible to develop new business models in line with the various circumstances and tap into new markets. ARAG is now a successful player in a total of 15 European markets (including Germany) and in the US.

In addition to the Group headquarters in Düsseldorf, the ARAG Group maintains, through ARAG SE, operational branches in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, and Spain. This centralized, star-shaped organizational structure emerged from the merger of previously independent subsidiaries in 2012. The international branches run their operating businesses in their national markets independently, taking into account the specific local circumstances in each case.

Legal insurance is also provided in the US, Norway, Sweden and, since 2015, Denmark. In each case the business is operated through legally independent affiliated companies, which are all managed uniformly by ARAG SE as the parent company. In addition, ARAG SE operates in Switzerland via equity investments in legal insurance associates. In the United Kingdom, a Group company acts as a broker for legal insurance business and legal-insurance-related special service package business, passing this business to four British primary insurers. Some of this insurance is then ceded to ARAG SE under quota-share reinsurance treaties. ARAG SE also holds an equity investment in a legal insurance company in Luxembourg.

The ARAG Group has taken a systematic approach to the further development of its business, focusing on modifying its corporate structure in line with future challenges while at the same time accommodating the ongoing internationalization of its activities.

# II. Report on Economic Position

**Economic and sector conditions**

The global economy expanded at only a modest rate during the course of 2015. This was primarily attributable to weaker growth in the emerging markets. The downturn in the Chinese economy, the contraction in global demand for commodities, and significant supply-side problems adversely affected growth in the newly industrialized economies. Brazil and Russia even suffered a recession.

In contrast, the industrialized nations experienced much more favorable economic trends. The US and the UK continued to enjoy an economic upturn. The eurozone economy also gained some momentum. This was partly attributable to further progress in the macroeconomic adjustments applied in some parts of the eurozone. A number of one-off factors also had a beneficial effect on the economy of the eurozone as a whole. The reform of economic structures in Ireland, Spain, and Portugal, in particular, led to greater competitiveness, in turn generating new growth. The implementation of the banking union and the associated comprehensive assessment are also likely to have contributed to a further easing of the situation in the eurozone's financial system and to an increase in lending. In addition, the dramatic fall in the price of oil boosted household purchasing power and contributed to a marked rise in consumer spending.

The economic differences between the major industrialized countries have given rise to a significant conflict of interests in the global economy in relation to the direction of monetary policy. Whereas monetary policy in the eurozone and Japan was loosened still further during the course of the year and more expansionary measures are not out of the question, the US and UK are facing imminent rises in interest rates after pursuing a policy of low interest rates for the last seven years. The fall in the value of the euro coupled with positive economic trends in the US and the UK led to a strengthening of foreign trade.

The German economy continued to demonstrate that it was in good shape in the past year. The German Council of Economic Experts was forecasting growth in real economic output of 1.7 percent for 2015. Impetus for growth was again derived from domestic demand and from foreign trade. The rise in consumer prices remained low, mainly as a consequence of the sharp fall in energy prices in the last few months of the year. On the other hand, domestic prices remained on an upward trend. Price increases, particularly for foodstuffs, have gained momentum recently. By contrast, services have only seen modest price rises, attributable primarily to muted growth in residential rentals. The rise in employment was sustained in the last few months, especially in the service sector. There was sharp growth in employment subject to social security contributions, more than offsetting the fall in exclusively marginal employment and self-employment. The rate of unemployment reflected these positive trends. The seasonally adjusted figure in November 2015 fell to 6.3 percent, the lowest level since 1991.

The German Insurance Association (GDV) has estimated that the rate of inflation for 2015 was 0.3 percent. The low inflation rate meant that the purchasing power of German households went up significantly. Given the low interest rates, consumer spending also continued to be boosted by a relative disinclination to save. The GDV expected an inflation-adjusted increase in household consumption of 2.0 percent in 2015.

Following the sharp rise in the capital market rate (yield on listed German government securities with a residual maturity of nine to ten years) during the summer of 2015, this rate fell back again to an average for the year of around 0.5 percent as a result of the further drop in the rate of inflation in the last few months of the year. This trend pushed up share prices to a new all-time high. The German DAX index saw a gain of approximately 9.6 percent, with the Euro Stoxx 50 also rising by almost 4 percent.

The most recent GDV forecasts for the German insurance industry as a whole predicted that premium income would remain stable and therefore unchanged compared with 2014. However, gross premiums written in direct casualty and property insurance business rose by 2.6 percent (projected). The reasons included increases in the sums insured and some extension of the cover in property insurance. In legal insurance, there was even stronger growth in premiums at around 3.5 percent.

Property insurance companies had already taken a significant hit from a severe weather event back in 2014 when storm Ela crossed Europe over the Whitsun weekend. In the year under review, they also had to deal with the adverse impact from another major event in the form of Cyclone Niklas at the end of March. According to GDV estimates, Cyclone Niklas gave rise to claims with a total value of €750 million, substantially exceeding the losses caused by storm Ela in the previous year. The consequence of the significant resulting rise in claims expenses in 2015 was a marked increase in the combined ratio for property insurance. The effects from the Second German Act Modernizing the Law on Court Costs (Second KostRMoG) became evident in the legal insurance segment. Despite the fact that this act had already been in force over the whole of 2014, there was still an increase of 3.0 percent in the claims incurred for losses related to 2015. Although the combined ratio fell by one percentage point, there are likely to be underwriting losses in this insurance segment for a further year. Overall, the GDV predicted that the combined ratio for direct casualty and property insurance business would rise by 2.4 percentage points to 97.0 percent.

Premium growth in health insurance was 1.5 percent. Life insurance continued to operate in tough conditions. This segment faces the difficult challenge of continuing to generate a guaranteed rate of return despite the persistently low interest rates. According to the GDV, the life insurance segment was likely to post a contraction in premiums of 1.9 percent.

**Business performance**

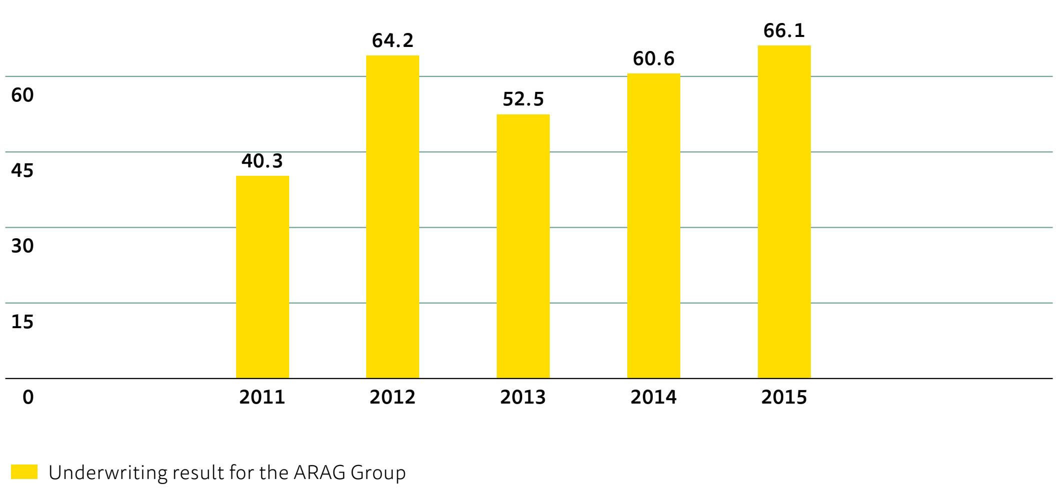
In the year under review, the ARAG Group once again expanded its volume of business, lifting gross premium income significantly by 4.3 percent to €1,656.1 million. Gross premiums written from direct business in the German legal insurance market rose by 6.0 percent year on year. The German legal insurance business therefore outperformed the market by some margin. Premiums in the international legal insurance business also went up by a total of 7.7 percent – the gains being primarily in Spain, Italy, Greece, and the Netherlands, but also notably in the US and Norway. The casualty and property insurance segment and the health insurance segment saw premium growth of 3.3 percent and 2.0 percent respectively. As anticipated, the only contraction occurred in the life insurance business, where premiums declined by 0.6 percent year on year as a result of the challenging conditions caused by the low-interest-rate environment.

Despite the expansion in business volume, claims incurred in the legal insurance business fell from €427.1 million in 2014 to €426.8 million in the reporting year. Favorable external conditions meant that the claims incurred in the casualty and property insurance segment were lower by €3.3 million compared with 2014. In life insurance, the year-on-year drop in claims incurred amounted to €9.9 million. It was only in health insurance that the expenses for claims incurred went up, in this case by €2.4 million. Overall, claims incurred in the year under review were down by 1.2 percent compared with the prior-year figure.

Insurance business operating expenses rose by 3.8 percent. This rise was attributable to the overall growth in the volume of business and the greater number of employees. A considerable proportion of the cost increases was accounted for by the rise in pension and other post-employment benefit expenses, caused by the sharp fall in the discount rate applied to the obligations, in turn a consequence of the low level of interest rates. Insurance business operating expenses rose accordingly to €530.7 million. Despite this increase, the cost ratio fell slightly from 32.6 percent to 32.5 percent.

**Changes in underwriting result**

*(€ million)*



The underwriting result for the ARAG Group saw a further improvement on the prior-year profit of €60.6 million to €66.1 million in 2015. This improvement could mainly be ascribed to the performance of the international legal insurance business. With the exception of the German legal insurance business, all the insurance segments in Germany and in the international business generated an underwriting profit. As forecast, the German legal insurance business once again generated a loss as a result of the sluggish performance following the increase in attorney and court costs on August 1, 2013.

In 2014, the ARAG Group had achieved a very good level of net gains on investments with the help of a positive impact from the restructuring of the portfolio and reversals of write-downs. It was not possible to match this level in the year under review because of volatility in capital markets in an environment of persistently low interest rates. Reversals of write-downs and disposal gains were lower and interest-rate-induced write-downs higher than in 2014. The net gains on investments therefore fell year on year from €73.1 million to €54.0 million.

Other net income/expense amounted to a net expense of €57.0 million, which was once again higher than the equivalent figure of €55.0 million in 2014, as expected. The main reasons were the expenses for pensions and other post-employment benefits and various projects.

Profit from ordinary activities amounted to €66.7 million and was once again at a very sound level although lower than in 2014 (€84.5 million) as a consequence of trends in capital markets.

The net extraordinary expense of €0.3 million (2014: net expense of €0.3 million) arose in connection with expenses from the application of the transitional provisions in the Introductory Act to the German Commercial Code (EGHGB) relating to the accounting treatment of pension and other post-employment benefit obligations.

The net income for the year after non-controlling interests amounting to €29.3 million was adversely affected by the charges of €5.5 million arising from the change in deferred taxes.

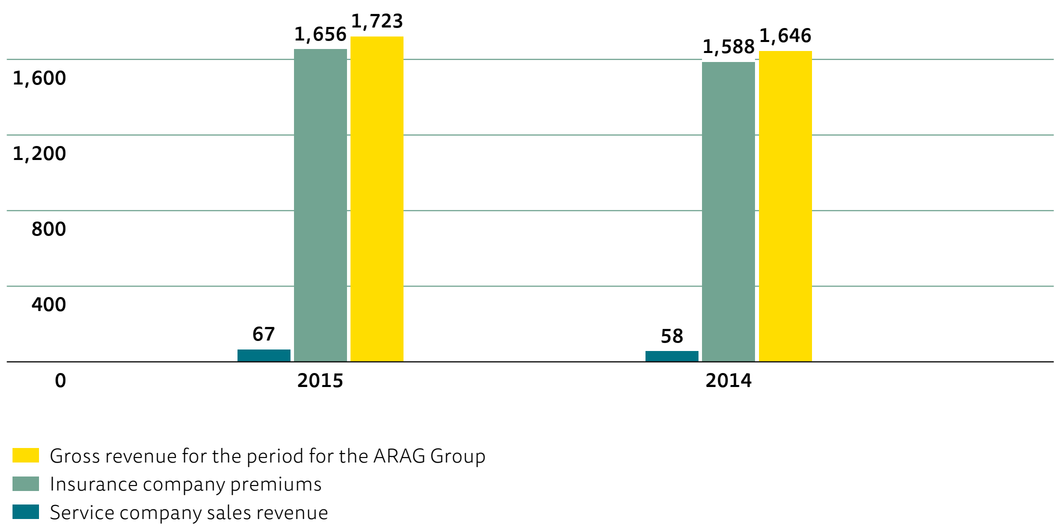
**Premiums/sales revenue** The ARAG Group demonstrably sustained its successful performance in the German and international markets with a substantial rise of 4.3 percent in the premium income generated by the insurance companies in the Group. The greatest level of growth in the Group was achieved in the international legal insurance business, where the premium gains amounted to €36.5 million. The German legal insurance business also made a notable contribution to the growth. As anticipated, only the life insurance business suffered a contraction in premiums, which fell by 0.6 percent year on year in this segment.

Even though growth in the overall German insurance market was just 0.6 percent, the ARAG Group raised its premium income by 2.6 percent, an above-average increase despite the tough environment. Total premium income in Germany amounted to €1.10 billion compared with €1.07 billion in 2014. In the German legal insurance business (including inward reinsurance business), premiums rose by €18.1 million to €330.5 million. The German casualty and property insurance business grew by €4.4 million to €197.2 million. Health insurance business went up by €7.0 million to €347.5 million whereas life insurance premiums fell by €1.3 million to €220.3 million. Overall, the ARAG Group clearly benefited from its core activities in property and health insurance. Sales revenue generated by the Group's service companies rose by €9.0 million to €66.6 million.

Total premium income and sales revenue in the ARAG Group advanced by 4.7 percent from €1.65 billion in 2014 to €1.72 billion in the year under review.

**Gross revenue for the period**

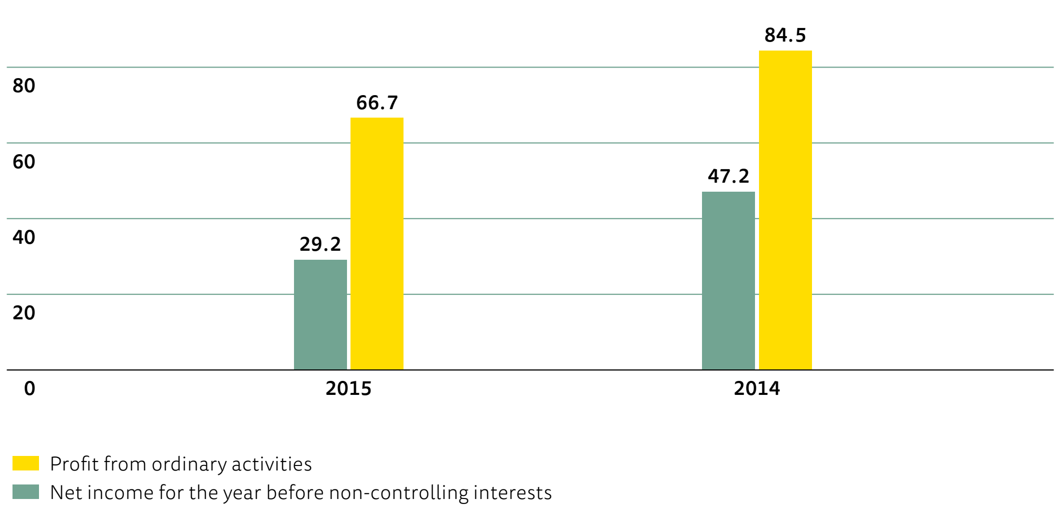
*(€ million)*




The Group's portfolios comprised 6.6 million policies (December 31, 2014: 6.4 million). Of this total, 3.1 million policies (December 31, 2014: 2.9 million) were attributable to international business. Added to this were a further 20.7 million insured risks in the domestic sports insurance business (property and casualty insurance segment), which were covered via group policies with 18 state sports associations.

**Net income**

*(€ million)*



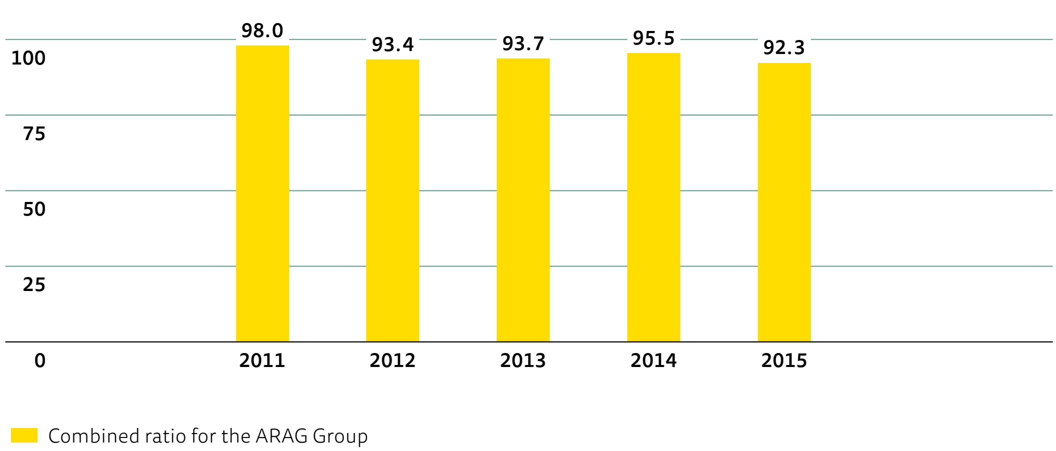
## Financial performance

ARAG again demonstrated its significant earnings power in the year under review and was able to use its robust underwriting result to offset some of the substantial volatility in capital markets and fluctuations in tax effects. The underwriting result showed a further improvement from a profit of €60.6 million in 2014 to €66.1 million in 2015. The Group was able to boost the underwriting profit despite still feeling the clear negative impact of the increase in fees for German attorneys and courts. The underwriting profit also reflected the additional impact from the favorable trend in claims in all other areas of business. Expenses for claims incurred therefore fell from €985.9 million to €974.6 million, a year-on-year decline of 1.1 percent. Correspondingly, the Group claims ratio went down from 62.9 percent to 59.7 percent.

The expansion in the volume of business, the rise in pension and other post-employment benefit expenses, and the implementation of a planned increase in the headcount pushed up the insurance business operating expenses. The Group cost ratio for 2015 nevertheless dropped slightly from 32.6 percent to 32.5 percent. The combined ratio for the Group improved significantly overall to 92.3 percent (2014: 95.5 percent). All the segments in the ARAG Group delivered a positive contribution to earnings.

### Changes in combined ratio

(%)




The contraction in the net gain on investments from €73.1 million to €54.0 million arose primarily as a consequence of higher interest-rate-related write-downs on securities, which were not then offset by a rise in ordinary income. In 2014, interest-rate-related reversals of write-downs and gains on disposals derived from portfolio restructuring had contributed to the substantially higher net gain on investments.

Other net income/expense was negatively affected by higher pension and other post-employment benefit expenses and by project costs. In 2015, the net expense increased from €55.0 million to €57.0 million.

After taking into account all the contributing factors, the profit from ordinary activities declined from €84.5 million to €66.7 million.

Extraordinary expenses of €0.3 million arose from the revaluation of pension provisions and pre-retirement part-time working obligations in application of the transitional provisions under the German Accounting Law Modernization Act (BilMoG).

Overall, profit before taxes and before non-controlling interests declined from €84.2 million in 2014 to €66.5 million in 2015.

The consolidated tax expense remained high at €37.2 million (2014: €37.0 million). After deduction of taxes and non-controlling interests, net income for the year amounted to €29.3 million, down by 35.3 percent compared with 2014.

## Financial position

The declared objective of the financial management system is to ensure that the Company holds adequate financial resources and manages its liquidity such that it is able to satisfy its obligations arising from the insurance business at all times and to exceed, rather than simply satisfy, the regulatory requirements concerning the capital adequacy of insurance entities. The subordinated liabilities reported on the balance sheet were eligible as own funds in accordance with section 53c (3) no. 3b of the German Insurance Supervision Act (VAG) in the version prior to its most recent amendment. The registered bond issued on July 29, 2014 has a value of €30.0 million and a fixed maturity of ten years. The subordinated bond with a value of €50.0 million, which had formed part of own funds in 2014, was redeemed on time in August 2015 as previously notified.

The conservative provisions policy pursued by the ARAG Group continued to be consistently applied in the year under review. The technical provisions were once again increased – by 3.3 percent from €5.54 billion to €5.72 billion. The ratio of technical provisions to premiums earned declined from 353.2 percent to 350.8 percent.

The changes in the Group's own funds and technical provisions in 2015 compared with 2014 were as follows:

### Changes in own funds

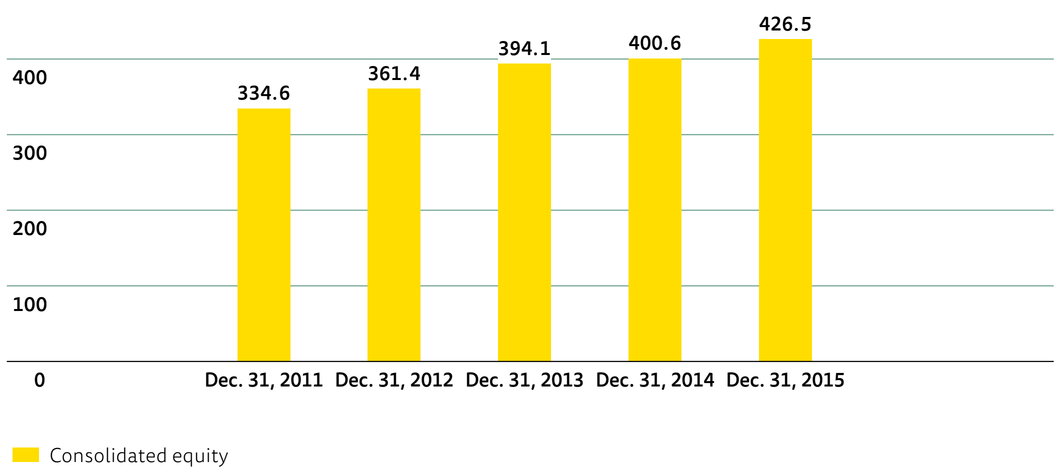
| *(€ million)* | **Dec. 31, 2015** | **Dec. 31, 2014** |
|---|---|---|
| Subscribed capital – paid in | 200.0 | 200.0 |
| Reserves | 190.2 | 148.3 |
| Non-controlling interests | 7.0 | 7.1 |
| Net income for the year after non-controlling interests | 29.3 | 45.2 |
| **Total equity** | **426.5** | **400.6** |
| Subordinated liabilities | 30.0 | 80.0 |
| Own funds | 456.5 | 480.6 |
| Technical provisions | 5,721.9 | 5,536.3 |
| **Own funds and technical provisions** | **6,178.40** | **6,016.9** |

The own funds and technical provisions are covered by investments of €6,123.3 million (December 31, 2014: €5,974.3 million). In addition to current bank balances and cash on hand of €155.3 million (December 31, 2014: €138.4 million), the ARAG Group has at its disposal, in particular, investments that can be sold on the capital and financial markets at short notice, thus ensuring that the Group is able to satisfy its payment obligations under insurance contracts at all times.

Further information on the extent of investments, purchases of intangible assets, and changes in the liquidity of the Group in the year under review can be found in the cash flow statement on page 95.

**Changes in equity**

*(€ million)*



## Net assets

The Group's portfolio of investments swelled by 2.5 percent in 2015 from €5,974.3 million to €6,123.3 million. The fair value of these investments amounted to €6,814.1 million as of the balance sheet date (December 31, 2014: €6,802.3 million).

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

### Type of investment

| (€ million) | | Dec. 31, 2015 | | Dec. 31, 2014 | |
|---|---|---|---|---|---|
| I. | Land and buildings | 243.2 | 4.0 % | 219.6 | 3.7 % |
| II. | Shares in affiliated companies and equity investments | 35.5 | 0.6 % | 35.4 | 0.6 % |
| III. | Lending to affiliated companies and equity investments | 0.2 | 0.0 % | 0.2 | 0.0 % |
| IV. | Equities and investment fund shares/units | 2,330.5 | 38.1 % | 2,181.3 | 36.5 % |
| V. | Bearer bonds | 1,428.0 | 23.3 % | 1,433.5 | 24.0 % |
| VI. | Loans secured by mortgages and land charges | 114.1 | 1.9 % | 130.6 | 2.2 % |
| VII. | Registered bonds, promissory notes | 1,701.2 | 27.8 % | 1,625.9 | 27.2 % |
| VIII. | Bank deposits | 155.1 | 2.5 % | 231.3 | 3.9 % |
| IX. | Other lending | 4.4 | 0.1 % | 9.4 | 0.2 % |
| X. | Other investments | 74.9 | 1.2 % | 76.8 | 1.3 % |
| XI. | Deposits with ceding insurers | 36.1 | 0.6 % | 30.3 | 0.5 % |
| **Total** | | **6,123.2** | **100.0 %** | **5,974.3** | **100.0 %** |

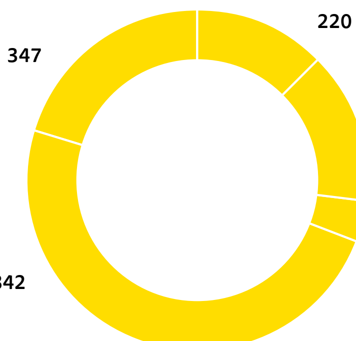
## Segment reporting

The Group comprises the following operating segments:

- legal insurance
- casualty and property insurance
- health insurance
- life insurance
- services and asset management

### Premiums and sales revenue by segment in 2015

*(€ million)*




### Gross premium income

| *(€ million)* | 2015 | 2014 |
|---|---|---|
| Legal insurance | 842 | 787 |

## Legal insurance

The legal insurance segment is the fastest-growing and most profitable insurance segment in the ARAG Group. Growth of €54.5 million was achieved in 2015 on the back of re-gained market share in Germany, greater market penetration in the United Kingdom, continuation of the growth strategy in southern Europe, and highly successful business performance in the US and Scandinavia.

Based on the prior-year level, which was already high, gross premiums written rose by a substantial 6.9 percent in the year under review. Despite the significant advance in premiums in Germany, the proportion of total legal insurance premiums accounted for by the international legal insurance business increased once again to 60.7 percent (2014: 60.3 percent).

Expenses for claims incurred declined over the whole of the legal insurance segment from €427.1 million to €426.8 million. The main contributing factors are explained in the following disclosures on the German and international legal insurance business. Overall, the claims ratio went down from 54.6 percent to 51.4 percent. On the other hand, the cost ratio rose from 43.0 percent to 44.2 percent because of the higher pension and other post-employment benefit expenses and the planned increase in the number of employees. The underwriting profit for the entire legal insurance segment rose significantly in 2015 by €13.7 million to €36.2 million.

Net gains on investments in the legal insurance segment amounted to €42.1 million compared with €57.1 million in 2014. The segment generated profit from ordinary activities of €37.2 million (2014: €43.9 million). This included the other net income/expense, which came to a net expense of €41.1 million, a year-on-year increase as a result of higher pension and other post-employment benefit obligations.

**International legal insurance business shows continuous growth**


The year under review saw strong growth in the **international legal insurance business**. Outside Germany, the ARAG Group provides products and services for customers in a total of 14 other European countries and in the US. The largest ARAG business units operate in the Netherlands, Spain, Italy, and the US.

Income from gross premiums written in the international legal insurance business rose by 7.7 percent year on year (2014: 6.4 percent) from €474.8 million to €511.2 million.

The ARAG Group demonstrated that it was in very good health in terms of international business. The strongest growth impetus came from Spain (€8.8 million), Norway (€9.6 million), and the US (€7.1 million). Further premium income of €48.9 million (2014: €46.5 million) was derived from the legal-insurance-related special service package business generated by the Spanish, Italian, and Portuguese branches of ARAG SE. This income is reported under the casualty and property insurance segment. If this figure is included, the total income generated by the international business amounted to €560.6 million.

In the reporting year, the expenses for claims incurred in the international legal insurance business fell from €221.9 million to €217.2 million. A key contributing factor was the decline in cumulative claims in Austria. Changes to the law in the Netherlands allowing claimants to choose their own attorneys did not result in additional expenses. As a consequence of the effects described above, the combined ratio in the international legal insurance business improved from 91.5 percent to a very good ratio of 88.1 percent.

The strong premium growth in the **German legal insurance business** demonstrated the sustainability of the upturn in this market. The direct business was expanded on the back of re-gained market share; the growth of 6 percent was well above the market average. This premium growth was achieved as a result of the state-of-the-art, innovative legal insurance products, which proved attractive to consumers, the successful multi-channel sales efforts, the strong services – especially those provided in the event of a claim – and the professional customer and sales partner relationship management provided by ARAG Core Sales and Partner Sales. With the addition of the increase in inward reinsurance business, the total income from gross premiums written in this area of the business amounted to €330.5 million (2014: €312.5 million).

The claims ratio in the German legal insurance business declined from 65.7 percent in 2014 to 64.2 percent in 2015. However, in absolute terms, claims incurred rose from €205.2 million in 2014 to €209.6 million in the year under review because the volume of claims increased by 2.7 percent as a result of the higher volume of business. Provisions were also recognized for cumulative claims that could arise in connection with the emissions issue affecting VW diesel vehicles.

The net cost ratio rose to 43.0 percent in 2015 (2014: 41.0 percent). This increase was caused by the additional initial commissions associated with the business expansion and by higher pension and other post-employment benefit expenses. The year-on-year rise in insurance business operating expenses totaled €12.5 million.

In the year under review, an amount of €0.2 million was allocated to the equalization provision for the inward reinsurance business.

Overall, the German legal insurance business generated an underwriting loss of €22.4 million (2014: €19.8 million).

### Gross premium income

| (€ million) | 2015 | 2014 |
|---|---|---|
| Casualty and property insurance | 247 | 239 |

## Casualty and property insurance

The growth successfully generated in the ARAG property insurance business was also reflected in the excellent performance of the Group's casualty and property insurance segment. Gross premiums written rose to €246.6 million (2014: €238.8 million) in the year under review. This increase was attributable to an expansion of 3.8 percent in the organization business in the general liability, composite residential buildings, and home contents classes of insurance, achieved through targeted renewal and greater strategic focus in the product portfolio. Sales through brokers via the Group's own brokerage specialist, Interlloyd Versicherungs-AG, also contributed to the increase in premiums with growth of 5.4 percent. A portfolio transfer in Spain and new reinsurance treaties in Italy reinforced the positive trend, boosting premiums by €3.4 million. Premium income from the legal-insurance-related special service package business in the Spanish and Italian branches of ARAG SE is allocated to the casualty and property insurance segment.

Back in 2014, storm Ela over the Whitsun weekend had led to increased residential building insurance claims. As a result of the destructive Cyclone Niklas in the year under review, claims reported in composite residential buildings insurance rose by a further 28.0 percent. In 2014, the cost allocation keys used to assign the functional areas in the sports business had been updated and this had led to an increase in claims incurred and lower administrative expenses in that year. Expenses for claims incurred in 2015 totaled €125.1 million and were thus lower than the prior year level of €128.4 million. As premiums also grew significantly in the year under review, the claims ratio fell from 56.1 percent to 52.5 percent.

The cost ratio declined slightly from 40.4 percent to 40.2 percent. Underwriting profit before the equalization provision rose from €7.7 million in 2014 to €16.8 million in the reporting year. After an allocation to the equalization provision of €4.3 million, the underwriting profit amounted to €12.5 million (2014: €19.2 million). The profit from ordinary activities in the casualty and property insurance segment amounted to €16.5 million (2014: €28.0 million), which included a year-on-year decline of €5.1 million in the net gains on investments and an improvement of 0.2 million in other net income/expense. The casualty and property insurance segment was therefore once again the largest generator of earnings in the Group after the legal insurance segment.

### Gross premium income

| (€ million) | 2015 | 2014 |
|---|---|---|
| Health insurance | 347 | 340 |

## Health insurance

In 2015, the ARAG Group's health insurance business enjoyed growth of 2.1 percent, which was also once again above the market average (1.5 percent). With premium income of €347 million, health insurance is ARAG's largest area of business in the German market. Market conditions were tough in the year under review, especially in full-coverage health insurance, with hardly any room for growth stimulus. Nevertheless, the monthly premiums due for full-coverage health insurance rose by 1.1 percent year on year. Supplementary insurance offered greater impetus for growth. ARAG has been successful and very well positioned in this area of health insurance for many years, and will continue to build on its outstanding reputation as an innovative, highly efficient product provider. On the benefit expenses side of the equation, higher expenses for claims incurred and the allocation to the actuarial reserve, which was up by 10.7 percent year on year, totaled €314.9 million compared with €300.8 million in 2014.

The underwriting result declined in the year under review from a profit of €18.1 million in 2014 to €14.5 million in 2015. The net gains on investments included in this figure declined by €11.1 million year on year to €50.4 million.

After taking into account the other income and expense items and the allocation to the provision for bonuses and rebates, profit before taxes decreased to €11.1 million (2014: €15.5 million) but was nevertheless once again higher than the budgeted figure.

## Life insurance

**Gross premium income**

| *(€ million)* | **2015** | **2014** |
|---|---|---|
| Life insurance | 220 | 222 |

By the beginning of the year under review, the ARAG Group had already implemented the provisions of the German Life Insurance Reform Act (LVRG) from 2014 and offered a completely re-costed range of products. In accordance with statutory requirements, ARAG reduced initial commissions. The fall in gross premium income caused by this change turned out to be considerably lower than anticipated. This income declined slightly from €221.6 million in 2014 to €220.3 million in the year under review. The strategic shift away from conventional products and toward hybrid products was reflected in the breakdown of the portfolio, in which the proportion of conventional products decreased by 1.9 percentage points and that of straightforward term life insurance and hybrid life insurance increased by 0.4 percentage points and 1.4 percentage points respectively. The life insurance segment continues to concentrate on its state-of-the-art and highly efficient range of products, focusing on the successful product family of fund-linked policies, which are continuously modified in line with the needs of the market and customers.

On the benefit expenses side, expenses for claims incurred and the change in the actuarial reserve amounted to €280.3 million, a year-on-year decline of €38.2 million. Initial commissions fell by 41.9 percent in 2015 to €22.0 million because of the contraction in new business. Administrative expenses at €7.6 million were also down slightly compared with 2014 (€7.7 million). Net gains on investments went down by €31.9 million from €139.5 million to €107.6 million. After taking into account the other income and expense items as well as the tax expense, the segment generated a profit before provision for bonuses and rebates of €4.2 million (2014: €13.5 million). This amount was allocated in full to the provision for bonuses and rebates (2014: €12.5 million). For the purposes of determining the consolidated net profit for the year, the profit before taxes amounted to €0.7 million compared with a loss of €4.2 million in 2014.

## Services and asset management

This segment brings together those Group companies that provide core services outside straightforward insurance business or operate non-insurance business, such as IT services, the central emergency telephone service for ARAG customers, and the real estate development business for third parties. The segment also consists of the holding companies, including ARAG Holding SE. The insurance brokerage firm in the Group, Cura Versicherungsvermittlung GmbH, and the insurance agent for the British reinsurance business are also assigned to this segment. The sales revenue generated by these non-insurance companies with third parties and the other segments in the Group rose from €96.8 million in 2014 to €108.5 million in 2015. After adjustment for the intragroup sales revenue in the service companies, the remaining sales revenue generated from third parties came to €66.6 million compared with €57.6 million in 2014. Profit before tax was €3.1 million (2014: €4.2 million).

### Sales revenue

| *(€ million)* | **2015** | **2014** |
|---|---|---|
| Service companies | 67 | 58 |

## Non-financial performance indicators

The ARAG Group has set out its self-image very clearly in its corporate guidelines: ARAG is the internationally successful, innovative quality insurer – independent and family-owned. For more than 80 years, the business concept has been based on the aim of establishing equality of opportunity. Accordingly, the ARAG Group helps its customers create scope to make personal choices – at all stages of their lives. Based on innovative insurance products and beneficial services, ARAG minimizes the risks faced by its customers, so that customers can concentrate entirely on the opportunities available to them, leading an active, independent life. This is also clearly reflected in the brand tagline 'ARAG. Dive into Life'. The new section with the same title on the website at www.ARAG.de and the advertisements launched in 2015 in the Internet and in movie theaters therefore highlight people who are pursuing their ideas and convictions. The approach focuses on individuals achieving independence and self-fulfillment with carefree enjoyment. This communications campaign has been a big success and for the first time has enabled ARAG to use a measurable method to reach mainly younger target groups effectively.

In the year under review, the ARAG Group also systematically expanded its products and services – always clearly guided by the constantly changing requirements and needs of customers and consumers. Based on optimum integration between these innovative product activities, a highly efficient workforce, a state-of-the-art brand presence, and clear strategic positioning as an independent, international provider of high-quality insurance products and services, ARAG has established the best possible foundations for further sustainable growth.

**Innovation** Over 80 years, the ARAG Group has developed into a successful international provider of high-quality insurance. Today, ARAG is not only the largest family enterprise in the German insurance industry but also one of the world's three leading providers of legal insurance. With operating activities in a total of 15 European countries and in the US, the Group is a leader in many international markets based on its legal insurance and legal services. For these reasons, the continuous refinement of the product portfolio and the creation of innovative, beneficial legal insurance products and services for customers are of critical importance, both in Germany and in international business. Once again in 2015, ARAG was able to take the lead in significant areas of the market.

The most obvious example of this in the year under review was the newly launched Internet policy ARAG web@ktiv Plus. Thanks to the creative and unique benefit modules of this policy, the product was chosen as the winner in the 'Insurance' category of Deutscher Kunden-Innovationspreis 2015, a German award for creative, customer-oriented product and service solutions. ARAG successfully launched ARAG web@ktiv back in 2012, becoming the first legal insurer to establish special insurance cover for Internet users in the German market. This product also received an innovation award. ARAG web@ktiv Plus is an enhanced variant but its features are not simply limited to improved legal insurance benefits. Cyber protection also provides compensation in the event of criminal activity on the Internet. This benefit is offered in collaboration with ARAG Allgemeine, the provider of casualty and property insurance in the Group, and covers losses of up to €3,000 per event subject to a maximum of €10,000 per year of insurance, for example if goods are purchased online, paid for in advance, but never delivered. Innovations in the new policy also include emergency psychological assistance by telephone in the event of cyberbullying.

During the course of 2015, ARAG's tried-and-tested full legal insurance product, ARAG Aktiv-Rechtsschutz, was enhanced to include further attractive product components. One of the main features in the premium version is inheritance legal insurance. ARAG's inheritance legal insurance can be called upon, for example, in the event of disputes with joint heirs or if a will is to be challenged in an inheritance case. The multi-featured insurance product had already benefited from further enhancements in 2014 when home-builder risk was included in the premium version – a first in Germany. This innovative benefit earned the ARAG Aktiv-Rechtsschutz Immobilie Premium product a Golden Bull award from German financial publisher Finanzen-Verlag. The ARAG product was ranked second in the 'Insurance innovation of the year' category. TÜV Saarland awarded ratings to the basic, superior, and premium versions of the Aktiv-Rechtsschutz product, with the basic version being classified as 'good', and the superior and premium versions as 'very good'.

In the year under review, ARAG developed its new unemployment protection product, which was then launched on the market at the beginning of 2016. Private customers are now able to add this optional benefit component, which is provided by ARAG Allgemeine, to their ARAG Aktiv-Rechtsschutz policies and enjoy cover for loss of income suffered through no fault of their own. The cover protects customers against financial loss in the event of unemployment as a result of compulsory redundancy.

In 2015, ARAG Allgemeine also developed 'ARAG Alltagshelfer' day-to-day assistance. This service product was launched during the spring of 2016 and to date has remained unique in the market. It is a completely new type of product that provides assistance with many practical and organizational day-to-day activities if daily life ever becomes difficult to handle. The 'ARAG Alltagshelfer' product provides customers with a wide variety of appropriate assistance and care benefits if they need support, for example, because of an outpatient operation, inpatient treatment in a hospital, the birth of a child, or the death of a family member. These support benefits and other services range from shopping, meals delivery, childcare, and even pet-minding, through to telephone-based psychological support. In the premium 'ARAG Alltagshelfer Plus' option, the services are also available if the insured is unable to work for more than eight days. If a strike organized by trade unions leads to additional costs, these will be reimbursed up to a maximum of €50 per day and €250 per year.

ARAG is a forward-looking, customer-oriented insurer and in the year under review also developed and implemented a number of new digitalization-related service innovations. Following favorable experience in the German market, ARAG began to develop and expand online sales in its international markets in 2015. The first activities in this regard were launched in Spain and Italy.

ARAG continued to expand its online services in the German market. These services include online claims tracking for legal insurance customers and customers of casualty and property insurer ARAG Allgemeine. This service has also been available to attorneys since September 2015. This practical tool – which is new to the insurance industry – allows customers and attorneys one-click access to information on the status of a claim. Since October 2015, ARAG customers have also been able to request a cellphone text message containing the claim number and an appropriate link to the claim tracking tool.

At the beginning of 2015, a customer advice app was launched as part of the Core Sales activities in Germany. This app markedly improves the quality of advice provided during the interaction with the customer. For both customers and sales partners, the app offers an ideal way of drawing up a precisely tailored overview of each customer's needs. The ARAG advice app has been very well received by a broad cross-section of users in Core Sales activities.

Tele-underwriting via video chat is another digital innovation. Previously an underwriter had to make a special visit to the customer before writing particular types of insurance, such as very high-value contents insurance. Now the underwriter can use video chat to receive the images needed for an assessment from the iPad of the relevant ARAG sales employee. The customer is thus provided with the service quickly and with minimum fuss. The response to this new service has been good, as has that for LiveChat at www.ARAG.de. In the latter service, the customer communicates online with a 'real' employee rather than, as is normally the case elsewhere, a machine. The number of users is high and rising steadily.

In 2015, further development work was also carried out on a number of new digital solutions, products, and services in the Group. These included the alternative payment system via credit card or PayPal, which was then introduced in 2016, ARAG once again pointing the way forward as one of the trailblazers in the German insurance industry.

**Products** As an innovative provider of high-quality insurance, ARAG focuses on both the creation of completely new products and services and the systematic, continuous expansion of the existing portfolio.

With this approach, ARAG has completely revised its legal insurance for motorists and addressed the issue of mobility from an entirely new perspective. ARAG customers therefore not only have insurance for their cars and as pedestrians, but now also when they use the latest means of conveyance such as Segways or electric bikes. The policy has been available since the beginning of 2015 in three versions (basic, superior, and premium) and can be extended to include a special service package from ARAG Allgemeine. Private customers can choose between the classic Top Special Service Package and the new special service package for vehicles. For the self-employed, a new vehicle special service package has been made available. German consumer organization Stiftung Warentest has rated the Aktiv-Rechtsschutz Verkehr premium product as 'very good' (1.5), and the superior product as 'good' (1.6).

Further products and services were developed during the year under review and then launched on the market at the beginning of 2016. These included the new employment legal insurance for pensioners and retirees. This new component, available in superior and premium versions, provides insurance in respect of employment contracts that supplement a pension. The ARAG Aktiv-Rechtsschutz premium product for the self-employed was also enhanced in a meaningful way. Customers can now benefit from the advantages of limited business agreement legal insurance in the form of Receivables Management Plus. Under this extension, disputed receivables are now also covered: in connection with receivables management, ARAG will insure costs of up to €3,500 per agreement term, subject to a minimum disputed value of €1,000.

ARAG SE also performed impressively in international markets in 2015 via its branches, subsidiaries, and equity investments thanks to numerous innovative, beneficial product and service ideas. Together with its largest partner, ABN Amro, ARAG's Netherlands Branch designed and launched a new legal insurance product for private customers. This product achieved the top score in a test of products and services carried out by the Dutch Consumers' Association. Since 2015, ARAG Netherlands has also gradually been adapting its range of products. The reason for this was a judgment issued by the European Court of Justice relating to the free choice of attorney. As a consequence, ARAG legal insurance customers can now choose between an external attorney and an internal ARAG attorney in connection with a claim. Customers can also choose from three different limits when taking out a policy. Work on switching over the entire portfolio was started in 2015, beginning with legal insurance for private and commercial customers.

ARAG Italy, which celebrated its 50th anniversary in 2015 together with ARAG Belgium, developed a new version of its Small and Medium Enterprises (SME) legal insurance product in the year under review. The product was scheduled to be launched in May 2016. In addition, ARAG SE's Italy Branch introduced its special 'Quadri e Dirigenti' legal insurance for managers in November 2015. The product had previously been available in two different versions, but now comes in one version with new benefits and cover. Developments at ARAG Austria in the year under review included a revision of its legal insurance product for private customers and the addition of a new scale of charges.

At the beginning of 2015, the Norwegian ARAG subsidiary HELP Forsikring AS also launched a new SME legal insurance product. In addition, it developed and introduced an Internet protection product in the form of 'WebHelp'. This product concept is similar to the successful ARAG web@ktiv product in Germany. ARAG SE commenced its operations in Denmark on October 1, 2015 through its Norwegian subsidiary. To this end, HELP Forsikring is working in collaboration with Skandia Group Denmark, through which suitable legal insurance products are offered.

ARAG Allgemeine, the provider of casualty and property insurance in the Group, also continued to update its insurance portfolio in the year under review. The new private liability and home contents insurance policies, and the 'Existenz-Schutz' livelihood insurance policy (functional disability insurance), launched in 2014 far exceeded sales forecasts. At the beginning of 2015, the new benefits under the liability and home contents insurance policies were also included in the new generation of charges for the successful 'Recht&Heim' all-round cover product offered throughout the Group. These charges also enable a motorists' special service package to be integrated into the comprehensively revised legal insurance for motorists. In addition to the tried-and-tested, highly efficient Top Special Service Package, ARAG Allgemeine is now also offering for the first time a low-cost vehicle-related special service package as well as a special service package for commercial vehicles. These three variants can also be bundled with legal insurance contracts offered by ARAG SE.

At the beginning of 2016, the 'ARAG Recht&Heim' all-round cover product was upgraded to include more components and more extensive benefits. These included, for example, integration of the JuraCheck legal advice service and enhanced legal insurance for criminal proceedings. The legal insurance innovations relating to employment were of course also included in the premium variant of the product. In another radical improvement, the 2016 generation of charges for the first time enables 'Recht&Heim' policyholders to choose two different deductibles: one deductible level for legal insurance and a different one applicable to house contents, liability and residential buildings insurance.

In 2015, ARAG Lebensversicherungs-AG (ARAG Life) focused on the dynamic hybrid products in the ARAG FoRte 3D product family and the expansion of the biometrics product range. Based on a flexible line of mutual-fund-linked pension insurance products, ARAG Life offers its customers policies that allow them to share in the benefits of positive capital market trends without having to give up security. ARAG Life has received a variety of accolades for the high quality of its proven products. For example, the two supplementary disability insurance rate options IB15 and IR15 were awarded certificates by the German financial markets analysis institute infinma GmbH. Prestigious rating agency Franke und Bornberg once again issued top ratings for ARAG Life products: the supplementary disability insurance and the entire FoRte 3D fund-linked product family attracted the best rating of FFF. Focus Money magazine also named the product combination of term life insurance and supplementary disability insurance for the self-employed and professionals as one of the winners in its tests.

Despite the challenging conditions, ARAG Krankenversicherungs-AG (ARAG Health) managed to maintain its successful performance in the year under review, staying above the industry average with premium growth of 2.0 percent. The main growth driver was and remains ARAG Health's traditionally strong supplementary health insurance business. Tight integration within the ARAG Group also means that it is possible to develop cross-segment products. The most recent example is the 'KTPlus' scale of rates launched in 2015. This can be added to disability insurance as supplementary insurance using a lean application process. In connection with this product, the customer does not have to undergo the supplementary health check for the daily sickness allowance.

Numerous awards in the year under review once again confirmed the significant value proposition offered by ARAG health insurance options. Stiftung Warentest awarded customarily good ratings to the ARAG 'DentalPro' dental insurance rates, with the Z90Bonus option judged to be 'very good' (1.4), and the Z100 option continuing to be rated as 'good' (1.6). In 2015, the 262 supplementary inpatient care insurance rates option was voted by Stiftung Warentest as 'very good' overall (0.5) and placed first out of a total of 22 supplementary inpatient care insurance rates based on a twin room and treatment by a senior consultant. €uro magazine also voted the 262 rates option the winner of its test in the category 'Twin room with provision for increasing age'. The daily nursing care insurance rates were also highly rated. For example, the ARAG 'IndividualPflege PI' product received the highest rating in each case from rating agencies Morgen&Morgen, levelnine, and Softfair. In an analysis carried out by Focus Money, the subsidized nursing care product 'ARAG FörderPflege PF' – together with two other rates options – was ranked number one in the overall ratings for subsidized nursing care policies. The excellent combination of business and product quality is underlined by the results of analyses carried out by DFSI Ratings GmbH, which in its latest study of business quality gave ARAG Krankenversicherungs-AG the overall rating of 'very good' (1.3). In the brokering market, ARAG Health continues to be a top provider, impressing its sales partners with the significant potential it offers in terms of service quality and value proposition. In the AssCompact Trends, for example, ARAG Health has been rated as a valued provider of supplementary health insurance and has been ranked number one for the last 34 quarters in a row.

**Employees, employee skills, and qualifications** The ARAG Group relies on a skilled, focused, and highly motivated workforce in Germany and in its international markets to ensure that it delivers on its value proposition. At the end of 2015, the ARAG Group had a total of 2,019 (December 31, 2014: 1,985) employees in Germany. A further 1,851 (December 31, 2014: 1,728) people were employed outside Germany. Alongside vocational training, ARAG attaches huge importance to the skills, qualifications, and professional development of its workforce. ARAG intends to remain one of the best insurers in the market. ARAG operates a web-based skills and qualifications platform known as ARAG IQ enabling all employees to keep their knowledge and capabilities up to date. The platform has recently been completely revamped from both technical and content perspectives to provide even better access to the various services and enable all professional development needs and implemented activities to be recorded centrally. This includes classroom-based seminars and training sessions as well as e-learning. The content is wide-ranging and includes executive programs, courses on personal and social skills, project management training, coaching, and foreign languages.

A further key component in ARAG's strategy for retaining suitably qualified employees in the Group is ARAG myCareer, an in-house talent management program introduced in 2011. This program offers an enhanced set of tools to support recruitment and professional development. It helps employees plan their development and careers, and at the same time ensures that both specialist and interdisciplinary expertise is retained in the Company.

A fundamental factor in the successful performance of the entire ARAG Group is the targeted internationalization of the business. The growing cross-border integration of corporate units is also playing a key role in this development. An international professional development program referred to as ARAG INTandem was launched in February 2015 with a view to systematically expanding this integration and embedding it in the Group. This strategy also impressed the judges of the InnoWard training award presented by BWV, the German insurance industry's vocational training organization. ARAG INTandem was awarded third prize.

The ARAG Sales Training unit ensures that continuous, high-quality skills development is provided for ARAG partners in the field sales force. This unit offers a broad range of needs-based seminars covering the entire spectrum of knowledge related to sales and the performance of ARAG products.

**ARAG Essentials** The revision of the ARAG Essentials in 2014 included the development of a multifaceted communications concept for these new groupwide corporate guidelines. This strategy included the ARAG Essentials online tool at www.ARAG.com and meetings throughout the Group to communicate these guidelines. In these meetings covering self-image, corporate mission, and values, the units came up with many suggestions for everyday use, some of which could be implemented immediately. The ARAG Essentials online tool enables users to explore the world of ARAG Essentials in a virtual environment and find out more about the various ARAG locations. The tool is accessible to both the employees and external users on the Group's website at www.ARAG.com, and is available in all the languages used in the Group. The mandatory ARAG Leadership Guidelines, which are derived from the ARAG Essentials, are currently set to be revised.

Since 2012, the ARAG AWARD has been presented in recognition of exemplary implementation of the ARAG Essentials. Prizes are awarded each year in three categories (Germany, International, and (German) Sales) to proactive employee team projects that stand out as models of successful implementation of the principles in day-to-day activities. The winning teams in 2015 received their awards in January 2016 at the ARAG Group Management Conference.

**Corporate responsibility** In the ARAG Group, responsible dealings with employees, customers, and partners are based on a long-term, and therefore sustainable, approach. ARAG positions itself as the internationally successful, innovative quality insurer – independent and family-owned. Starting from this fundamental philosophy, the Company takes its corporate social responsibility very seriously. When Heinrich Faßbender established ARAG more than 80 years ago, he had a clear objective in mind: to enable all citizens to enjoy equality of opportunity before the law. This notion still remains an underlying principle in the ARAG Group – and ensures that a high degree of corporate social responsibility is directly enshrined in the ARAG business model.

Today, ARAG brings together the sustainable management of the business at different levels under the general heading of corporate responsibility: the aim is to ensure that customers and consumers derive the greatest possible benefit from the Group's products and services. ARAG also takes responsibility for its employees and supports suitable social projects. The principles of corporate governance set out firmly established voluntary undertakings, providing the framework for socially responsible activities.

**Codes of conduct for sales** With effect from July 1, 2013, all the German companies in the ARAG Group signed up to the new GDV code of conduct for insurance sales. This code represents a clear industry commitment to more consumer protection, better quality of advice, development of skills and qualifications for agents, and transparent, mandatory rules for dealing with customers. It thereby establishes the foundations for strengthening trust and confidence throughout the entire area of insurance broking. It is now mandatory for ARAG companies to impose a requirement on the agents in the Core Sales and Partner Sales operations to comply with the code. Long before any of the companies signed up to the code, a number of basic steps had already been implemented as part of the ARAG 'Red Thread' advisory approach in Core Sales; furthermore, the promise that customers will receive high-quality products and services is in any case an essential component of ARAG's positioning as a high-quality insurer. In ARAG Partner Sales, very close attention is paid to ensuring that, in the collaboration with brokers, the fundamental rules laid down by the broker associations also correspond to the provisions in the GDV code of conduct.

The GDV code of conduct provides for an appropriateness test to be carried out by an independent auditor. All five ARAG companies successfully underwent this test and published the following on the GDV website by the required deadline in the first half of 2015: a description of the compliance management system that served as the basis for the test and the positive audit report from the independent auditors, PricewaterhouseCoopers. The appropriateness test is carried out every two years and examines whether internal corporate rules reflect the regulations in the code. This approach ensures a high degree of commitment and self-monitoring.

**ARAGcare** The ARAG Group is widely regarded as a demanding employer who expects high levels of performance from its workforce. In return, the Group invests in a comprehensive range of services for its employees. The key component is ARAGcare, the corporate health management program.

ARAGcare is aimed at supporting the personal health of employees. The tried and tested components include health checks, diverse company sports activities, regular preventive medical services, and health courses. One of the main features of these expanded services is a reorganized return-to-work and disability management system, which is now run by an external partner. In the year under review, greater emphasis was also given to the second pillar of ARAGcare: work/life balance. To this end, ARAG underwent a comprehensive third-party audit with the aim of developing and embedding a sustainable HR policy that takes into account family requirements and stage of life. Targets were drawn up and set during the course of this project and the 'audit berufundfamilie' certification is accompanied by an obligation for the Company to achieve these targets by 2017. In the reporting year, numerous topics and action plans arising from the gender diversity project, which had been completed on schedule in 2014, were continued as part of the work/life balance project. Initial action plans arising from the projects are already being implemented. Examples include action in connection with part-time management and the expansion of teleworking and working from home.

**Corporate social responsibility** ARAG is a family enterprise. As a consequence, ARAG attaches a huge amount of importance to the interconnection between corporate and social responsibility. The independence that ARAG enjoys as a family enterprise means that the assumption of responsibility becomes even more significant because it is incumbent on the ARAG Group to use this independence responsibly.

Since March 2014, ARAG has therefore been successfully offering its innovative development project known as Conflict Management in Schools. Supported by the North Rhine-Westphalia Ministry for Education and Schools, this program is offered to all high schools in the German state of North Rhine-Westphalia. The pilot project, in which the first training cycle was completed in February 2015, involved a total of 76 teachers, specialists in educational social work, and parents from 21 general education schools and vocational colleges in different school districts of North Rhine-Westphalia. At a presentation ceremony attended by Sylvia Löhrmann, the Minister for Education and Schools in North Rhine-Westphalia, the program graduates received their certificates, confirming that they had reached the standards specified by the German Federal Mediation Association. In the second training cycle, which ended in late summer 2015, a total of 69 school mediators received their certificates. The project will be carried out annually at up to 30 additional schools, initially until mid-2017. The project focuses on the introduction of universal quality standards for conflict management structures, preventive measures, and intervention techniques. Teachers, parents, specialists in educational social work, and educational psychologists are trained as school mediators, who then later train school students as conflict controllers. The project has received certification under the name 'ARAG Mediators' from the Clinton Global Initiative (CGI) as a 'Commitment to Action'.

Another key area of activity is the Internet. It is changing and affecting the lives of people around the globe – including to a large degree the lives of children and young people – but is also bringing risks. Suitable prevention is important to avert these risks. The ARAG Group has a comprehensive range of prevention experience and believes that important areas of prevention lie in the long-term development of media skills and in the provision of information and education, as well as the raising of awareness, about the consequences of bullying. Two studies have been carried out jointly with the German Anti-Cyberbullying Alliance. In the 'Cyberlife' study in 2013, around 10,000 school students, teachers, and parents were questioned about cyberbullying and violence on the Internet; the new findings were processed and made available to the general public. The second study, 'Bullying and cyberbullying among adults', in 2014 underlined how important this issue is for adults too. Since October 2015, ARAG and the Institute for Cyberpsychology and Media Ethics in Cologne have been carrying out an empirical survey of academics and experts in the field of cyberpsychology and media ethics in Italy, the Netherlands, Norway, Poland, Spain, the UK, and the US. The aim of this international study is to investigate how the phenomenon of cyberbullying is handled in the individual countries. It is planned to publish the results early in the summer of 2016.

Corporate social responsibility at ARAG also extends to the provision of specific support for the German Children and Youth Foundation (DKJS). For 20 years, this charity has been operating projects and programs throughout Germany, helping children and young people have the courage to take control of their lives and play a role in society. This approach is a perfect match for ARAG's definition of corporate responsibility – and also fits in well with its current commitments. Since 2014, ARAG has been supporting the DKJS as a program partner, helping to raise awareness among children and young people about the challenges presented by cyberlife and the risks from cyberbullying. The partnership has been set up initially for three years.

'ZEIT für die Schule' is a project promoted by Germany's weekly DIE ZEIT newspaper. The project is the largest nationwide school project run by a German newspaper and aims to foster reading skills as well as introduce children from the age of around 14 or 15 to the medium of newspapers. As part of the project, ARAG supports the publication of free worksheets for teachers in the lower and upper stages of secondary education, the delivery of free copies of DIE ZEIT and special publications for schools covering media studies and what to do after the Abitur high-school diploma, and the preparation of newsletters for teachers.

ARAG thanks its customers for the trust they have placed in the Group. The ARAG Group is also grateful to the employees in sales administration and field sales for their commitment and the motivated implementation of the new requirements. Thanks are also due to the members of the Works Council for the constructive and collaborative relationship that we enjoy.

### Employees

**Employees**

| *(permanent)* | **Dec. 31, 2015** | **Dec. 31, 2014** |
|---|---|---|
| Consolidated companies | 3,811 | 3,687 |
| Total Group | 3,870 | 3,713 |

In 2015, the number of employees in the whole of the Group continued to rise year on year, as planned. Including the companies not encompassed by the consolidation, 3,870 people were employed as of December 31, 2015 (December 31, 2014: 3,713). The consolidated companies had a total of 3,811 permanent employees as of December 31, 2015 (December 31, 2014: 3,687). As of the balance sheet date, 47.8 percent of the employees in the ARAG Group worked outside Germany (December 31, 2014: 46.5 percent).

## III. Report on Post-Balance Sheet Events

There were no events of particular importance after the end of the financial year.

# IV. Outlook, Opportunity and Risk Reports

**Outlook**

The ARAG Group operates in Germany, 14 other European countries, and in the US. Given the strong international focus of the Group, economic trends in Europe and North America in particular have an impact on business performance.

Future global economic growth is subject to significant risks. These include the response of the real economy and financial markets to the tentative uplift in interest rates in the US and the extent to which growth in the Chinese economy has slowed. It is reasonable to expect continued growth in the US. However, the pace of growth is likely to be gradually held back because of the high degree of production capacity utilization. Although available data suggests that there will not be a sharp fall in growth in China at the moment, the close economic interconnectivity means that the slowdown in growth in China will have a marked dampening effect on other countries. A key factor in this regard is the weaker demand for commodities in China. Overall, global production is expected to grow by 2.6 percent in 2016. In line with this forecast, global trade in 2016 is likely to expand by 3.1 percent.

Compared with previous years, the risk that the crisis in the eurozone will flare up again has receded noticeably, one of the reasons being that the monetary policy of the European Central Bank (ECB) has led to a massive cut in risk premiums throughout the entire euro area. As a consequence, the economic recovery in the eurozone is expected to continue over the period of the forecast. This trend will be driven primarily by rising consumer spending and exports. Nevertheless, the recovery is fragile. In particular, the positive impact on growth from the fall in the oil price will probably peter out over time. The transition to a self-perpetuating upturn is unlikely at the moment.

The upswing in the German economy will continue to be sustained over the coming year by the rise in consumer spending. Although the positive effects on real income from the drop in energy prices will probably even out over the course of the year, the sustained strength of the labor market is likely to lead to a marked increase in employment and to significant pay rises. Stronger growth in the German economy over the coming year will be hampered by the economic downturn in emerging markets. A persistent slowdown in these markets, particularly in China and commodity-exporting countries, represents a risk to German growth. On top of this, the export stimulus derived from the sharp fall in the value of the euro will probably diminish over the coming year. Overall, it would be reasonable to expect inflation-adjusted growth in German gross domestic product (GDP) to be around 1.6 percent in 2016. However, inflation-adjusted GDP growth per inhabitant is likely to be considerably lower at 1.1 percent as a consequence of the high level of net inward migration. The balance of trade will not provide any appreciable impetus for economic growth. Consumer spending will be the greatest contributor to the rise in GDP. In view of the substantial expansion in production, there is likely to be further improvement in the labor market. The level of employment, which is already very good, is expected to continue to improve in 2016. The rate of inflation is also forecast to rise again in 2016 because there will be no further fall in energy prices. However, the rate is expected to remain well under 2 percent.

The insurance industry will not remain unaffected by the above trends. Given the external factors affecting the insurance industry, premium growth is likely to be rather modest. Growth in the German market in 2016 is predicted to be 0.5 percent. Assuming that there is no further unforeseen deterioration in the macroeconomic environment, premiums in the non-life insurance segment are expected to be up by 2.5 percent in the coming year. In the case of legal insurance, the GDV predicts a rise in premiums of 3 percent in view of the opportunities to adjust premiums.

The ARAG Group expects business performance to remain good over the forecast period. The Group's premium income will continue to rise. Overall, the Group will grow, generate stable earnings, and maintain a sound level of funding. ARAG will benefit from the advanced international structure of its business based on branches and subsidiaries and from its diversification strategy. ARAG's corporate strategy is focused on achieving growth in Germany at least in line with the market as a whole and further expansion of the international business.

The Group has continued to reinforce this strategy and codified it in a revision of the corporate guidelines, known as the ARAG Essentials. These guidelines help senior management to ensure that ARAG's focus and positioning are reliable and transparent. Within this framework, the ARAG Group addresses the growing corporate social responsibility requirements faced by the business. Responsible conduct is a major contributing factor to successful business performance: entrepreneurship and corporate citizenship go hand-in-hand. Customers, business partners, and employees pay close attention to the additional social benefits that ARAG is prepared to offer. Proper corporate social responsibility means activities need to focus on the long term, i.e. they must be sustainable. As an independent family enterprise, ARAG can credibly live up to this aspiration.

Over the forecast period, the Group will keep to its conservative, earnings-oriented operating policy.

The Group's projections for the period vary depending on the segment involved.

In the legal insurance segment, the Group expects to see further growth in gross premium income, although market conditions will be very different across many European countries.

In the German market, the recent significant expansion in the legal insurance business is likely to continue. The positive trend in the portfolio was sustained in the first three months of 2016, demonstrating that ARAG SE has returned to a long-term growth trajectory. The combination of product innovation, high-quality claims processing and services, and a sustainable sales strategy are laying the foundations for further successful growth. ARAG is therefore predicting a continued rise in premiums from the German legal insurance business in 2016.

The international branches and subsidiaries will continue to provide growth stimulus in the forecast period to a degree similar to that in 2015. This takes into account the fact that there will still be challenging market environments. The Group has noticed that business in southern Europe is recovering, aided by its provision of combination products offering cover through legal-insurance-related special service packages. Action taken to push up sales revenue in the US and the Scandinavian markets will also have an impact.

The growth in premiums is unlikely to lead to an increase in the claims ratio. It will also be possible to limit the adverse effects in the forecast period from potential cumulative claims in connection with the emissions issue affecting VW vehicles.

The cost ratio for the ARAG Group did not increase in 2015. It is not anticipated that there will be any rise in 2016 or in subsequent years because of the planned additional volume of business.

The casualty and property segment brings together ARAG's property, liability, and accident insurance business outside the legal insurance segment. To a lesser extent, legal-insurance-related special service package business in individual international markets is also allocated to the casualty and property segment. In the German market, the Group is once again generating a good level of premium growth in this segment after bringing about a turnaround similar to that in the legal insurance business. This uptrend in the segment will also be sustained. Over the forecast period, the action already initiated to consolidate the portfolio and expand new business will have a further impact. The casualty and property segment will remain clearly focused on private customers and sets itself apart through its very efficient claims management. This is one of the reasons why this segment is one of the most profitable units in the ARAG Group. Assuming that no relevant major claims events occur, the segment will be able to achieve a combined ratio of well below 100 percent in the forecast period. The Group predicts that the financial performance of this segment will continue to be very good.

One of the factors of key importance for the performance of the health insurance segment is the political environment in Germany. The grand coalition has decided to retain the dual health insurance system in Germany and has therefore laid the foundations for the continuation of private full-coverage health insurance. The planning certainty for both providers and consumers that this decision has created has had a positive impact on the business climate in the insurance industry. The ARAG Group's health insurance segment is benefiting from these developments and has recently managed to outperform the market in terms of growth. ARAG plays a special role in the market based on its clear strategic focus on high-quality cost-share insurance. It is therefore somewhat more independent from decisions affecting the strategic direction of health policy. The Group is conscious of this special position and will therefore adopt a systematic approach to continue to strengthen and expand this area of business. In the case of supplementary insurance, supplementary nursing care insurance will become increasingly important in the portfolio of products. Corporate health insurance is also becoming another important area of business for ARAG.

Overall, the Group expects to see dynamic growth with a stable level of cancellations/lapses in the cost-share insurance business over the next few years.

Against the backdrop of further premium growth, ARAG Health is paying particular attention to implementing more improvements in the efficiency of application procedures and the processing of benefits. As in other segments, the Group is focusing in the health insurance segment on an expansion of IT infrastructure with a view to further streamlining time-consuming processes in supplementary insurance.

Despite the forecast expansion in business, ARAG anticipates that the claims ratio in this segment will remain steady.

Operating performance is not the only factor that has affected the profitability of health insurers. Their financial performance has also been significantly impacted by trends in financial markets. The long period of low interest rates has not only hit life insurance companies but has also had adverse implications for health insurers because of the frequent need to adjust discount rates. The ARAG Group continues to take a conservative approach to capital market activities and has also moderately adjusted its discount rate for health insurance.

The health insurance segment is predicted to secure a growing share of the market in 2016 and 2017. Profit is expected to remain steady in the current year.

The German life insurance business is increasingly suffering because of the persistently low interest rates. A turnaround appears unlikely in the forecast period, even if there are increasing signs of an upturn in interest rates in the US. Conventional life insurance is therefore continuing to lose its appeal in the marketplace. German legislators have responded to this problem and initiated significant measures to stabilize the market in the form of the Life Insurance Reform Act (LVRG).

Independently of these developments, ARAG transformed its product portfolio ten years ago to switch the focus to attractive fund-linked products. This family of products now accounts for more than 85 percent of new business. At the same time, ARAG does not actively pursue involvement in the highly volatile single premium business and thus remains true to its conservative business policy.

In accordance with the amendments to the German Regulation on the Principles Underlying the Calculation of the Actuarial Reserve (DeckRV) of 2011, an additional actuarial reserve is recognized as a supplementary change-in-discount-rate reserve. At ARAG Life, this reserve has recently grown to €126.6 million. It can be assumed that further significant allocations to the supplementary change-in-discount-rate reserve will also be recognized in the next few years. Long-term allocations to the supplementary change-in-discount-rate reserve will lead to a substantial additional adverse impact on the ARAG life insurance business. The senior management of ARAG Life has therefore initiated action intended to have a positive effect on the financial performance of the segment over the forecast period. However, this action will not be able to offset the impact of persistently low interest rates over the long term. In the scenario specified by the insurance supervisor and calculated by ARAG Life, there is no risk to the continued existence of the Company as a going concern over the prescribed planning period covering the next few years.

At the beginning of 2015, ARAG Life implemented the statutory provisions under the LVRG and significantly reduced the upper limit for the Zillmer rate. New rates that have been recalculated accordingly have been introduced with a lower level of commissions. As a consequence of the rigorous implementation of the LVRG, the Group expects a significant reduction in the number of new policies underwritten and a fall in premium income during the forecast period.

Despite substantially weaker capital markets, the ARAG Group managed to maintain its profit before taxes and before non-controlling interests in 2015 at the sound level of €66.7 million. The very good operating efficiency of the Group was a major contributing factor. Traditionally, ARAG has attached great importance to generating a good level of underwriting earnings on an ongoing basis to enable it to offset some of the capital market volatility. The Group will again continue to pursue this business policy consistently over the forecast period. The ARAG Group therefore anticipates an equally good level of earnings over the next few years.

As in previous years, it is currently scarcely possible to arrive at any kind of reliable forecast regarding trends in capital markets. No one can realistically predict the outcome in the forecast period from the multidimensional interaction between the effects of austerity measures on interest rates, the buying of government bonds by the ECB, and monetary policy in the US. The ARAG Group is therefore assuming that the challenging conditions in financial markets will remain unchanged and that the period of low interest rates will continue. Given these circumstances, the Group predicts that the net gains on investments in 2016 will be rather weak.

Taking into account the opportunities and risks currently discernible, the ARAG Group forecasts that business performance in 2016 will remain steady and sound. Overall, the Group will continue to grow and once again demonstrate the strength of its earnings power.

### Opportunity report

Based on the structure of its business, ARAG has one of the highest proportions of international business among German insurers. Almost 34 percent of premium income in the ARAG Group is generated from international business. This structure gives rise to opportunities and risks for the Group.

The excellent international diversification in the ARAG Group makes it more independent of the trends in individual national markets. This applies particularly to the very mature German legal insurance market, which offers few genuine growth prospects. Germany is nevertheless ARAG's traditional core market and thus remains important to the Group. The good level of growth achieved from the legal insurance business in Germany, the original home market, also serves as a significant point of reference for the international business. The strategy of the ARAG Group for the whole of the legal insurance business is to continue the international diversification of this segment.

The international structure of the ARAG Group is the logical business consequence of the advanced saturation of the overall German market and the highly varied economic trends within Europe and around the globe. The legal insurance markets outside Germany still offer significant growth potential, although this potential is uneven. ARAG is focusing considerable effort on exploiting this potential with a view to achieving further growth in the Group. In this regard, ARAG attaches great importance to taking into account the particular features of the market in each country.

Responsibilities are distributed throughout the ARAG Group so that the position enjoyed by the ARAG brand in the German market will be further consolidated and improved by the strengthening of the non-legal-insurance segments. This two-dimensional diversification strategy in the Group is also enabling ARAG to move away from the original tightly focused positioning as a niche provider in Germany. A domestic specialist insurer concentrating solely on one line of business is considerably more susceptible to risk. The strategic approach at ARAG is therefore one of active risk reduction and is based on spreading risk evenly across all markets and segments. The extended period of low interest rates has particularly demonstrated that this is the right approach, which offers both advantages and disadvantages for ARAG. In Germany, the low interest rates are adversely impacting the pension products business. At the same time, the trend in interest rates is supporting the economic recovery in southern Europe, thereby boosting business performance in this region. The Group is also benefiting from its focus on property and health insurance business. The future of the ARAG Group will therefore not be decided by the life insurance segment, but by the capacity of the Group to continue expanding its key domestic and international operations with the level of profitability achieved to date.

To manage the international structure of the ARAG Group, the senior management is supported by a Group Executive Committee (GEC). This committee comprises the members of the Group Management Board, representatives from the main European branches, and representatives from the other insurance segments in Germany. This committee improves the sharing of information between the European branches and the German insurance companies in the ARAG Group. One of the main objectives of the GEC is to ensure that innovations and market changes are converted more quickly into specific business processes, both in Germany and abroad, if the committee believes that these innovations or changes offer clear opportunities for the successful further development of the business.

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

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

# Risk report

## Risk management system

**Risk management objectives** Risk management is one of the ARAG Group's core competencies and therefore a key component of its business management. As part of this process, the aim of risk management is to safeguard the existence of the Group as a going concern and its future success. The effective and integrated management of risk enables the Group to satisfy the aspirations of its customers with the highest possible degree of security and will create shareholder value over the long term for its owners. In line with this mission, risk and capital issues are firmly established as part of the strategic planning process and at the same time form the basis for value- and risk-oriented management in accordance with the EVA® concept in the ARAG Group.

The guiding principles of risk management in the ARAG Group are as follows:

- Risks are managed where they arise.
- All identified risks are monitored and regularly reassessed.
- Newly identified risks are included in the monitoring, assessed, and communicated.
- Limits and thresholds are set for all material risks; appropriate management action is triggered if the thresholds are exceeded.
- All risks, together with associated decisions and action, are adequately documented.
- Regular reports on the risk situation are submitted to relevant internal and external parties.

**Organizational structure of risk management** Risk governance at ARAG is designed such that local and global risks can be managed as a whole and such that the Group can ensure at an early stage that the overall risk profile is consistent with the risk strategy.

The Management Board specifies the business policy objectives and risk strategy, sets out the capital adequacy requirements, and lays down the Group's limits. The Supervisory Board deliberates on these matters and receives regular reports on compliance with the risk strategy and the limits.

Within the Group, the Chief Risk Officer of ARAG SE is responsible for the central communication of risk-relevant issues, which involves submitting regular reports (at least quarterly) and, if required, ad hoc reports to the Management Board and Supervisory Board of the ARAG Group. The Chief Risk Officer is also responsible for the cross-function planning, management, and monitoring of the entire risk architecture.

Responsibility for identifying, analyzing, assessing, managing, monitoring, and reporting risks at Group level lies with the Group Risk Management and Group Controlling Department in consultation with the relevant risk-bearing operating unit. The Group Risk Management and Group Controlling Department is a segregated department up to Group Management Board level and therefore carries out the tasks of an independent risk control function.

Decisions about whether or not to pursue opportunities and/or take on risk are made in the operating units. The roles and responsibilities of all the people involved in the process, such as members of the Management Board, managers, local and central risk controllers and managers, are clearly defined and documented in the ARAG Group's risk management manual.

The risk management system is refined on a targeted basis and is based on the principle of a holistic analysis of asset-side and liability-side risks. Group Risk Management in collaboration with the operating units is responsible for identifying, assessing, managing, and monitoring these risks for all German and international companies and therefore also for preparing associated decisions by the Management Board.

Group Risk Management bears process responsibility for the risk management system and, by means of quarterly risk reports to the Management Board, ensures that there is comprehensive transparency with regard to the risk position and any changes. Group Risk Management is also responsible for refining the risk management system and for drawing up proposals for uniform standards to be applied throughout the Group. The remit of Group Risk Management also includes developing models for determining risk-bearing capacity and risk capital, and for allocating risk capital.

Investment risk control is an independent risk control function and its tasks include the analysis and monitoring of market risk. These activities include the analysis of asset-side and liability-side economic and accounting risk arising from interest-bearing exposures and a detailed analysis of the risk drivers for the various investment classes.

The requirements for specifying and managing these areas of risk are laid down and monitored by the Management Board with the assistance of Group Risk Management. The central and local tools and processes used in the risk management system follow a holistic approach, which takes into account economic conditions as well as the requirements and expectations of customers, supervisory authorities, rating agencies, and the shareholders.

Strict separation of functions is observed between the operational management of risk and Group Risk Management. In addition, Group Risk Management works in close cooperation with the Internal Audit Department. The systems implemented by the Group meet the requirements of the German Control and Transparency of Companies Act (KonTraG).

**The risk management system** The risk management system is an integral component of all risk-relevant processes and its objective is to prevent actions or decisions that fall outside the constraints laid down in the risk management manual and risk strategy. The risk management system is regularly reviewed by Group Audit. The integrated risk management system enables the Group, at an early stage, to identify new risks or developments subject to risk, systematically assess these risks using uniform criteria, and then actively manage the risks involved. An audit of the early-warning system for risk also forms part of the audit of the annual financial statements in the individual Group companies.

The core components of the ARAG risk management system consist of the processes for risk identification, risk assessment, risk capital allocation, risk management, risk monitoring, and risk reporting.

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

**Risk assessment** All identified risks are constantly quantified, analyzed, and assessed using suitable methods and on the basis of systematically captured and continuously updated data. This process also includes checks to ensure that the risk profile is consistent with the specified limits.

The key element in this process is the risk capital requirement calculated for all quantified downside risk (value-at-risk). The purpose is to ensure that unexpected losses are covered. A partial internal model is used to calculate the risk capital requirement. The model calculates the maximum loss from risk exposures covered in the model within a specific holding period (one year in this model) and with a specified level of probability. The loss could arise as a result of unfavorable movements affecting investments or as a result of unexpected developments in the insurance business. The methodology is regularly reviewed. Stress tests, backtesting, and validation tests are also continuously carried out in respect of the risk exposures.

Groupwide risk standards are applied to ensure a consistent and appropriate procedure is used in risk modeling, performance measurement, and in the use of relevant risk parameters in the calculations.

**Risk capital allocation** The risk-bearing capacity of the Group is determined on the basis of the aggregated risk capital requirement and the available cover assets. This takes into account the regulatory and internal requirements regarding minimum cover. Available risk capital is allocated by using a system of limits, whereby the overall limit specified in the risk strategy is apportioned to the identified risk categories.

**Risk management** The risk management functions at Group and segment levels specify suitable strategies and concepts for consciously taking on risk and implementing measures to mitigate, minimize, transfer, and/or diversify all identified and analyzed risks. The risk limits ensure that the risks actually taken on are at all times consistent with the risk strategy and risk-bearing capacity.

**Risk monitoring and reporting** The actual utilization of limits is determined and continuously monitored by reconciling the risks assumed with the specified limits. Portfolios are regularly analyzed to detect overarching risk trends at an early stage. The results from the risk monitoring process and the associated recommendations for action are reported to the senior management promptly, without restriction, and on a continuous basis. Decision-makers are then able to manage the risks proactively. The external communication of risks takes into account the interests of the shareholders and the supervisory authorities.

**Internal control system** The internal control system (ICS) refers to all monitoring and control mechanisms as well as other measures aimed at ensuring compliance with internal management specifications and external statutory and regulatory requirements. In particular, the system encompasses the entire framework of risk policy measures aimed at appropriate income and risk management on the basis of the business and risk strategy.

**Focus issue**

Solvency II

In 2015, the ARAG Group received authorization from the German Federal Financial Supervisory Authority (BaFin) to use a partial internal model from January 1, 2016 onward to calculate its solvency capital requirement. Following the successful completion of the project phase covering the preparation for Solvency II and the development phase for the partial internal model, the testing phase also demonstrated that the partial internal model would be used extensively in the Group and would play a key role in corporate management.

Together with three other corporate groups based in Germany, ARAG is one of the few insurers to have successfully completed this very demanding auditing process.

The management of underwriting risk in line with the risk involved and the level of market risk assumed by the Group represent significant success factors for ARAG. Only by using a partial internal model is it possible to model the special features of the ARAG Group's business structure in line with the risk and to calculate the capital requirement accordingly. The use of the partial internal risk model will be an important contributing factor in helping ARAG continue the process of enhancing its competitiveness.

## Risks

### Underwriting risk in property, liability and accident insurance, and in legal insurance

The ARAG Group's underwriting risk can be broken down into the following material sub-risks:

- Premium risk: defined as a loss that arises if the premium income for a period is insufficient to settle all claims incurred in the same period.
- Reserve risk: defined as a loss that arises if the provisions recognized for claims incurred in the past turn out to be inadequate.
- Accumulation risk: defined as a loss from events that, if they materialize, simultaneously affect a large number of policyholders.

To assess the premium and reserve risk, specified criteria are used to aggregate historical losses into groups of risks sharing similar characteristics. On this basis, the risk capital requirement is then determined for each identified risk. Given the product and customer structure of the Group, the existing policy portfolio is not subject to any exceptional risk in terms of major risk that could materialize and jeopardize the continued existence of the Group as a going concern. Claims are much more likely to be affected by changes in statutory, economic, or social conditions.

ARAG makes use of a variety of measures to monitor and manage underwriting risk. Insurance rates as well as terms and conditions are adjusted where necessary and sufficient safety margins are included in the claims provisions. In addition, relevant statutory and social trends are continuously monitored and their impact on the insurance portfolio analyzed.

The tasks of the actuarial function specified in article 48 of the Solvency II Directive are carried out by the department of the same name, and this department is under the direct control of the Chief Risk Officer. Functional separation from sales units up to the level of the Management Board ensures the independence of the actuarial function in the tasks specified in article 48 of the Solvency II Directive.

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

### Changes in claims ratio

| Financial year | | Claims ratio, gross, total | Settlements |
|---|---|---|---|
| | *FY ratio* | *Financial statements* | *% of initial reserve* |
| 2015 | 58.0 | 51.6 | 6.1 |
| 2014 | 60.2 | 55.4 | 3.6 |
| 2013 | 61.3 | 55.3 | 5.9 |
| 2012 | 62.6 | 50.9 | 7.0 |
| 2011 | 60.3 | 54.5 | 4.1 |
| 2010 | 66.7 | 61.3 | 4.2 |
| 2009 | 66.4 | 58.0 | 6.5 |
| 2008 | 65.2 | 55.4 | 7.7 |
| 2007 | 66.8 | 62.6 | 3.5 |
| 2006 | 65.2 | 59.2 | 5.0 |

### Underwriting risk in life insurance and health insurance

The main underwriting risks in life and health insurance in the ARAG Group are as follows:

- Interest guarantee risk: defined as a loss that arises if the discount rate used to calculate the actuarial reserve cannot be mirrored by the interest rate obtained on investments.
- Biometric risk: defined as a loss that arises if the parameters originally used for the calculation of premiums (such as mortality, longevity, invalidity, frequency of sickness) differ from the actual parameters observed at a later point.
- Cost risk: defined as a loss that arises if the actual costs incurred differ from the calculated costs.
- Lapse risk: defined as a loss that arises if an insurance contract lapses or is terminated before the end of the agreed period of insurance.

**Interest guarantee risk** Actuarial reserves are recognized to cover the life insurance benefits guaranteed to customers. In particular, the customer is guaranteed an annual return, which is derived from the investment of this actuarial reserve. The guaranteed return is determined using the discount rate, which represents the imputed interest on the liabilities side, and is an integral component of the insurance benefit. This guaranteed benefit for the customer must be continuously compared to the real return that can be generated on the capital market. There is a risk that the return on investments will fall short of the guaranteed return for customers. To be able to achieve the guaranteed minimum return, the ARAG Group pursues a policy of differentiation in investment portfolios in terms of maturity and borrower structure. The current portfolio of fixed-income investments is generating a return that is higher than the current guaranteed return for customers. New investments are made exclusively in securities with a specified minimum rating and with maturities that match the interest-rate trend projected by ARAG. The

ARAG Group is also under a statutory obligation to recognize provisions and hold other resources in reserves to ensure that it is able to satisfy the guarantees. In an environment of long-term low interest rates, these resources are added to the actuarial reserve in the form of the supplementary change-in-discount-rate reserve.

In health insurance, provisions for increasing age are recognized to ensure that the Group will be able to provide the calculated future insurance benefits. A discount rate is applied to calculate the necessary provisions. This discount rate is subject to the statutory upper limit of 3.50 percent and represents the calculated interest on the provision for increasing age. Within this limit, the discount rate is based on the interest income that can be generated from investments on the assets side. In 2014, the Group reduced the discount rate so that the rate on the liabilities side reflected a market interest rate. The calculated rate is reviewed on an ongoing basis using internal checks to ensure it remains appropriate. In addition to carrying out internal checks, the ARAG Group is also under an obligation to determine the company actuarial discount rate, which reflects the future minimum rate of return on investments. The procedure used has been developed by the German Actuarial Association (DAV). The results are also notified annually to BaFin. If there is a negative difference between the company actuarial discount rate and the discount rate used for the provisions, the discount rate must be lowered as part of the next adjustment of premiums.

**Biometric risk** The Group uses both its own tables and those recommended by DAV as the basis for its biometric calculations (mortality probability, invalidity probability, etc.). These tables are submitted to BaFin in accordance with the statutory requirements specified in section 13d VAG (version prior to the most recent amendment). In addition, the expected values specified on the basis of the decrement tables used by the Group are regularly compared against the actual benefits paid to verify that the biometric parameters are appropriate. In pension insurance, the assessment of longevity risk is especially important. At this point, it is important to note that the ARAG Group's portfolios are not large enough to quantify mortality trends. The calculation of the rates and the recognition of figures in the financial statements are therefore based on the DAV 2004 R tables, which are recognized throughout the industry. In addition, the health insurance calculation parameters provided with safety margins in accordance with the German Actuarial Calculation Regulation (KalV) are reviewed by an independent trustee. If the calculation parameters for the calculation of premiums or recognition of provisions are found to be inappropriate, the premiums are adjusted subject to the consent of the trustee.

**Cost risk** Cost risk is taken into account by carefully selecting the unit cost rates used in the calculation of premiums. The actual costs incurred are also compared against the costings annually. This enables the Group to identify any adverse trends at an early stage. In addition to comparing expected values with the actual benefits paid, the ARAG Group quantifies the potential impact from any negative variances from the expected values (for example, if a pandemic were to occur) and ensures that the Group would also be in a position to pay the guaranteed insurance benefits should a scenario of this nature materialize.

**Lapse risk** Pursuant to section 25 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV), the actuarial reserves in the life insurance segment are sufficiently high to ensure that, as a minimum, surrender values are covered by the provisions. In the case of receivables from policyholders recognized on the balance sheet, the lapse risk is taken into account by means of appropriate write-downs of these receivables. Against the backdrop of the persistently low interest rates, the life insurance industry cannot rule out the possibility that customers will surrender their life insurance policies if capital markets recover, so that they can then invest in these markets.

In health insurance, calculated assumptions regarding the pattern of policy cancellations by customers or lapses are factored into the calculation of the cash flow profile. These assumptions are based on the Group's own values from past experience and empirical values provided by industry associations, and have been reviewed by the independent trustee. Ongoing monitoring of lapse/cancellation rates ensures that trends in behavior are identified in good time. Lapse risk is taken into account by means of appropriate prudent calculation-based approaches based on past experience. Probabilities of lapse or cancellation can also be adjusted during the course of a premium adjustment triggered by variances between the calculated and actual values in connection with biometric risk.

The Appointed Actuary is responsible for managing and monitoring all underwriting risk in personal insurance. An independent trustee is also involved in the new product and premium adjustment process. All management and monitoring activities are subject to continuous checks by the Internal Audit Department. The Appointed Actuary oversees the recognition of provisions determined in accordance with actuarial principles to cover benefit payment obligations under personal insurance policies, ensuring that future obligations can be met.

The tasks of the actuarial function specified in article 48 of the Solvency II Directive are carried out by the department of the same name, and this department is under the direct control of the Chief Risk Officer. Functional separation from sales units up to the level of the Management Board ensures the independence of the actuarial function in the tasks specified in article 48 of the Solvency II Directive.

**Risk of defaults on insurance receivables** Defaults on insurance receivables are minimized by the use of an efficient, systematic dunning procedure. An allocation to the general allowance is recognized in the financial statements to account for the residual default risk.

**Investment risk** Within investment operations, ARAG focuses on securing a market-level rate of return and maintaining the balance between opportunities for generating gains from price movements and the risk of a write-down requirement.

The ARAG Group's investments are subject to the risk of a possible loss arising from adverse changes in market prices. Credit risk and liquidity risk are also significant categories of risk alongside market risk.

**Market risk** Market risk mainly comprises the risk of changes in interest rates, equity prices, and/or exchange rates. Risks from investments in real estate are also relevant.

**Interest-rate risk** affects the portfolio of fixed-income securities and the underwriting liabilities. It is caused largely by changes in interest rates and in the premiums for default risk and illiquidity. These changes are countered by asset liability management. An assumed increase or decrease of 1 percent in the general level of interest rates would decrease or increase the fair value of the ARAG Group's fixed-income securities (bearer bonds, registered bonds, and promissory notes) by €384.3 million.

**Equity risk** arises from unfavorable changes in the value of equities held in the portfolio. Some 7.1 percent of the Group's investments are subject to equity risk. This risk is diversified by specifically spreading the risk across different industries and regions. A hypothetical fall in equities markets of 20 percent would cause a loss in fair value of €96.5 million.

**Currency risk** arises from fluctuations in exchange rates, particularly if the currencies in which underwriting liabilities and investments are denominated are different. In the case of fixed-income securities, open currency exposures are hedged to minimize the risk. Currency risk in respect of fixed-income securities in institutional funds is limited to a maximum of 5 percent of the fund value. The Group does not hold any bonds denominated in foreign currency as part of its direct investments.

To monitor and manage **market risk**, the Group focuses on compliance with the regulatory investment requirements as specified in section 54 et seq. VAG (in the version prior to the recent amendment) and in the associated Investment Regulation. This ensures that a high degree of risk mitigation is achieved through the investment mix and diversification. A broad diversification of the portfolio limits individual risk because the investments are then widely distributed across different types of investment, investees, and regions. The Group has also developed investment policies that further restrict the investment risk. Derivatives are used exclusively to hedge currency or interest-rate risk in investment funds. A further component is a risk-capital-based management concept, which is used in conjunction with continuous market monitoring and a system of prompt reporting, to provide the Group with an early-warning system. The risk position and the financial stability of the Group are also regularly reviewed (quarterly) using internal tests. The stress tests check whether the Group would be in a position, despite external crises in the capital markets, to fulfill its obligations to policyholders without corrective measures.

**Credit risk** Credit risk is mitigated to a significant extent by applying stringent requirements for the financial standing of debtors. This principle is taken into account in the case of fixed-income securities by restricting such investment activity almost exclusively to investment-grade securities. Given the quality of the securities portfolio, the Group believes that the default risk arising from credit risk is low. The breakdown of interest-bearing investments by rating is as follows:

**Rating class**

| *(Percentage proportion)* | |
|---|---|
| AAA | 18.3 |
| AA | 25.4 |
| A | 23.7 |
| BBB | 27.9 |
| BB | 3.3 |
| B | 1.0 |
| CCC | 0.0 |
| CC | 0.0 |
| C | 0.0 |
| D | 0.0 |
| Not rated | 0.4 |

The breakdown of fixed-income securities is as follows (fair values): of the fixed-income securities – including securities held indirectly through institutional funds – approximately 37.1 percent are accounted for by financial services entities, 30.0 percent by public-sector bonds, and 32.9 percent by corporate bonds.

The Group holds a very low volume of government bonds issued by GIIPS states (Greece, Ireland, Italy, Portugal, and Spain) including securities held through institutional funds (4.0 percent in terms of fair value in relation to all the Group's investments). This is not considered to be an intolerable risk given the European support mechanisms and the de facto joint liability of all European countries.

**Liquidity risk** Liquidity risk is limited by a system of revolving financial planning in which all relevant cash flows are determined and matched with each other in good time. The investments also benefit from a high degree of liquidity, which means that they can generally be sold at short notice.

**Operational risk** Operational risk comprises all operational risks that arise in connection with human resources, processes, organization, administration, IT, natural disasters, technologies, and the external environment. Legal risk also forms part of operational risk. The portfolio of operational risks is updated quarterly.

Operational risk is managed by using subjective assessments in combination with a quantifiable early-warning system. The individual risks are identified and assessed in the operating units. A central database is used for recording and managing these risks; it is also used as the basis for appropriate reporting. The reports additionally include detailed action plans aimed at averting, avoiding, and/or mitigating the identified risks. Compliance with the management action plans is regularly reviewed and forms an integral part of the risk report.

The Group prevents the risk of adverse developments within the administration by implementing rules and controls within the departments. Internal control measures and constant review by Internal Audit minimize the risk of serious errors in administrative activities and/or acts of embezzlement.

These measures help to ensure that operational risk is limited to a level that can be tolerated by the Group.

**Risks to the Group's survival as a going concern** There are no internal or external risks that could have a permanent adverse impact on the net assets, financial position or results of operations of the Group. The overall risk position does not point to any trends in the planning period that could jeopardize the continued existence of the Group as a going concern or cause a significant negative impact on net assets, financial position or results of operations.

**Risk position** As of December 31, 2015, the Group had at its disposal adequate own funds to cover the regulatory solvency requirements pursuant to section 104g VAG (version prior to the most recent amendment). The calculation of the solvency ratio as of December 31, 2015 demonstrated an adequate level of own funds, which equated to approximately 142 percent of the requirements.

Current calculations show that, under the new capital requirements in accordance with Solvency II applicable from January 1, 2016, the ARAG Group has an appropriate level of capital resources and satisfies the future requirements.

# Consolidated Financial Statements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# Consolidated Balance Sheet as of December 31, 2015

## Assets

| (€) |
|---|
| **A. Intangible assets** |
| 1. Goodwill |
| 2. Other intangible assets |
| |
| **B. Investments** |
| I. Land, land rights and buildings, including buildings on third-party land |
| II. Investments in affiliated companies and equity investments |
| 1. Shares in affiliated companies |
| 2. Lending to affiliated companies |
| 3. Investments in associates |
| 4. Other equity investments |
| 5. Lending to long-term investees and investors |
| |
| III. Other investments |
| 1. Equities, investment fund shares/units, and other variable-yield securities |
| 2. Bearer bonds and other fixed-income securities |
| 3. Loans secured by mortgages or land charges and fixed-income receivables |
| 4. Other lending |
| a) Registered bonds |
| b) Promissory notes and loans |
| c) Loans and prepayments for certificates of insurance |
| d) Other lending |
| |
| 5. Bank deposits |
| 6. Other investments |
| |
| IV. Deposits with ceding insurers |
| |
| **C. Investments for the account and at the risk of life insurance policyholders** |
| **D. Receivables** |
| I. Receivables from direct insurance business from |
| 1. policyholders |
| a) Claims due |
| b) Claims not yet due |
| |
| 2. insurance brokers<br>of which from affiliated companies: € 428.26 (Dec. 31, 2014: € 239.45) |
| |
| II. Receivables from reinsurance business |
| III. Other receivables<br>of which from affiliated companies: € 754,725.34 (Dec. 31, 2014: € 355,536.94)<br>of which from other long-term investees and investors: € 3,000,000.00 (Dec. 31, 2014: € 3,175,535.48) |
| |
| **E. Other assets** |
| I. Land held for sale and other inventories of non-insurance companies |
| II. Property and equipment and inventories |
| III. Current bank balances, checks and cash on hand |
| IV. Other assets |
| |
| **F. Prepaid expenses and accrued income** |
| I. Accrued interest and rent |
| II. Other prepaid expenses and accrued income |
| |
| **G. Deferred tax assets** |
| **H. Excess of plan assets over pension liabilities** |
| **Total assets** |

| Note | | | | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|---|
| | | | | | |
| 2 p. 74 | | | 19,805,497.86 | | 22,990,305.01 |
| 3 p. 74 | | | 12,490,291.88 | | 9,328,491.57 |
| | | | | **32,295,789.74** | **32,318,796.58** |
| 34 p. 86 | | | | | |
| 4 p. 75 | | | 243,222,371.53 | | 219,613,502.71 |
| 5 p. 75 | | | | | |
| | | 3,640,697.83 | | | 3,086,579.34 |
| | | 221,300.00 | | | 221,300.00 |
| | | 12,660,469.69 | | | 11,015,831.86 |
| | | 19,215,285.70 | | | 21,268,381.09 |
| | | 0.00 | | | 0.00 |
| | | | 35,737,753.22 | | 35,592,092.29 |
| | | | | | |
| 6 p. 75 | | 2,330,465,208.17 | | | 2,181,291,679.29 |
| 7 p. 76 | | 1,428,049,048.92 | | | 1,433,454,013.26 |
| 10 p. 76 | | 114,117,759.65 | | | 130,620,420.00 |
| | | | | | |
| 9 p. 76 | 1,050,056,459.40 | | | | 975,056,459.40 |
| | 651,099,912.47 | | | | 650,813,298.58 |
| | 49,050,457.88 | | | | 54,386,000.00 |
| 8 p. 76 | 4,378,528.43 | | | | 9,419,879.44 |
| | | 1,754,585,358.18 | | | 1,689,675,637.42 |
| 12 p. 76 | | 155,089,310.96 | | | 231,286,330.86 |
| | | 25,838,999.10 | | | 22,451,854.03 |
| | | | 5,808,145,684.98 | | 5,688,779,934.86 |
| | | | 36,148,718.55 | | 30,348,840.21 |
| | | | | **6,123,254,528.28** | **5,974,334,370.07** |
| 11 p. 76 | | | | **298,941,578.67** | **269,242,310.89** |
| 13 p. 76 | | | | | |
| | | | | | |
| | | | | | |
| | 51,311,531.56 | | | | 51,686,093.84 |
| | 38,267,159.85 | | | | 50,690,863.09 |
| | | 89,578,691.41 | | | 102,376,956.93 |
| | | 27,693,072.14 | | | 28,002,135.00 |
| | | | 117,271,763.55 | | 130,379,091.93 |
| | | | 44,926,228.09 | | 34,277,521.74 |
| | | | 53,305,046.86 | | 49,756,015.74 |
| | | | | **215,503,038.50** | **214,412,629.41** |
| | | | | | |
| | | | 50,944,304.02 | | 37,035,997.04 |
| 14 p. 76 15 p. 76 | | | 25,546,960.74 | | 27,739,696.82 |
| | | | 155,312,016.22 | | 138,405,570.77 |
| 16 p. 77 | | | 64,276,256.51 | | 73,867,484.45 |
| | | | | **296,079,537.49** | **277,048,749.08** |
| 17 p. 77 | | | | | |
| | | | 58,495,208.75 | | 62,373,953.55 |
| | | | 11,063,131.71 | | 11,329,681.65 |
| | | | | **69,558,340.46** | **73,703,635.20** |
| 18 p. 77 35 p. 89 | | | | **46,730,199.97** | **52,264,251.04** |
| 19 p. 77 | | | | **6,910.36** | **5,571.21** |
| | | | | **7,082,369,923.47** | **6,893,330,313.48** |

# Consolidated Balance Sheet as of December 31, 2015

## Equity and liabilities

| (€) |
| --- |
| **A. Equity** |
| I. Subscribed capital |
| II. Revenue reserves |
| 1. Statutory reserves |
| 2. Other revenue reserves |
| 3. Exchange rate reserves |
| 4. Difference pursuant to section 309 (1) HGB |
| |
| III. Net income attributable to the Group |
| 1. Consolidated net income |
| IV. Adjustment items for non-controlling interests |
| |
| **B. Goodwill arising on consolidation** |
| **C. Subordinated liabilities** |
| **D. Special tax-allowable reserve** |
| **E. Technical provisions** |
| I. Unearned premiums |
| 1. Gross amount |
| 2. less: portion for outward reinsurance business |
| |
| II. Actuarial reserve |
| 1. Gross amount |
| 2. less: portion for outward reinsurance business |
| |
| III. Provision for outstanding claims |
| 1. Gross amount |
| 2. less: portion for outward reinsurance business |
| |
| IV. Provision for performance-based and non-performance-based bonuses and rebates |
| V. Equalization provision and similar provisions |
| VI. Other technical provisions |
| 1. Gross amount |
| 2. less: portion for outward reinsurance business |
| |
| |
| **F. Technical provisions in the life insurance business where the investment risk is borne by the policyholders** |
| I. Actuarial reserve |
| II. Other technical provisions |
| |
| Carryover: |

| Note | | | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|
| 32 p. 83 40 p. 96 | | | | |
| | | 200,000,000.00 | | 200,000,000.00 |
| | | | | |
| | 9,663,312.00 | | | 8,981,628.00 |
| | 205,375,050.02 | | | 170,836,280.80 |
| | 11,202,980.20 | | | 4,488,483.88 |
| | −35,999,890.82 | | | −35,999,890.82 |
| | | 190,241,451.40 | | 148,306,501.86 |
| | | | | |
| | | 29,261,267.45 | | 45,220,453.23 |
| | | 6,994,131.91 | | 7,096,977.19 |
| | | | **426,496,850.76** | **400,623,932.28** |
| 1 p. 73 | | | **0.00** | **656,541.97** |
| 20 p. 77 | | | **30,000,000.00** | **80,000,000.00** |
| | | | **0.00** | **0.00** |
| | | | | |
| 21 p. 77 | | | | |
| | 253,211,942.05 | | | 234,493,583.34 |
| | −2,569,868.75 | | | −2,144,061.17 |
| | | 250,642,073.30 | | 232,349,522.17 |
| 22 p. 78 | | | | |
| | 3,760,867,925.81 | | | 3,619,595,598.99 |
| | −38,287,710.00 | | | −39,759,763.00 |
| | | 3,722,580,215.81 | | 3,579,835,835.99 |
| 23 p. 80 | | | | |
| | 1,390,996,663.99 | | | 1,382,566,674.52 |
| | −34,623,109.85 | | | −34,194,816.23 |
| | | 1,356,373,554.14 | | 1,348,371,858.29 |
| | | 309,232,773.66 | | 298,734,525.05 |
| 24 p. 81 | | 65,818,834.00 | | 60,036,264.00 |
| 25 p. 81 | | | | |
| | 17,298,705.78 | | | 17,017,742.29 |
| | 0.00 | | | 0.00 |
| | | 17,298,705.78 | | 17,017,742.29 |
| | | | **5,721,946,156.69** | **5,536,345,747.79** |
| | | | | |
| | | 250,981,633.25 | | 223,420,812.54 |
| | | 47,959,945.42 | | 45,821,498.35 |
| | | | **298,941,578.67** | **269,242,310.89** |
| | | | **6,477,384,586.12** | **6,286,868,532.93** |

# Consolidated Balance Sheet as of December 31, 2015

## Equity and liabilities

| (€) |
|---|
| Carryover: |
| **G. Other provisions** |
| I. Provisions for pensions and other post-employment benefits |
| II. Provisions for taxes |
| III. Other provisions |
| |
| **H. Deposits received from reinsurers** |
| **I. Other liabilities** |
| I. Liabilities from direct insurance business to |
| 1. policyholders |
| 2. insurance brokers<br>of which to affiliated companies: € 13.21 (Dec. 31, 2014: € 13.21) |
| |
| II. Liabilities from reinsurance business |
| III. Liabilities to banks |
| IV. Other liabilities<br>of which tax liabilities: € 18,316,929.60 (Dec. 31, 2014: € 25,114,404.17)<br>of which social security liabilities: € 2,138,605.22 (Dec. 31, 2014: € 1,740,950.12)<br>of which to affiliated companies: € 832,124.84 (Dec. 31, 2014: € 228,490.90)<br>of which to other long-term investees and investors: € 0.00 (Dec. 31, 2014: € 0.00)<br>of which secured by a property lien: € 0.00 (Dec. 31, 2014: € 0.00) |
| |
| **J. Deferred income and accrued expenses** |
| **K. Deferred tax liabilities** |
| **Total equity and liabilities** |

| | | Note | | | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|---|---|
| | | | | | **6,477,384,586.12** | **6,286,868,532.93** |
| | | | | | | |
| | | 26 p. 81 | | 239,093,108.26 | | 221,296,846.30 |
| | | | | 16,613,486.79 | | 31,948,063.74 |
| | | 27 p. 82 | | 84,611,054.45 | | 84,411,035.87 |
| | | | | | **340,317,649.50** | **337,655,945.91** |
| | | 28 p. 82 | | | **41,226,083.96** | **42,823,479.35** |
| | | | | | | |
| | | 29 p. 82 | | | | |
| | | | 45,952,840.76 | | | 48,960,218.15 |
| | | | 31,091,077.98 | | | 32,173,740.44 |
| | | | | 77,043,918.74 | | 81,133,958.59 |
| | | 29 p. 82 | | 4,059,338.77 | | 5,808,148.00 |
| | | 30 p. 82 | | 32,280,674.42 | | 25,283,008.22 |
| | | | | 80,756,196.72 | | 85,229,442.51 |
| | | | | | **194,140,128.65** | **197,454,557.32** |
| | | 31 p. 83 | | | **29,301,475.24** | **28,527,797.97** |
| | | | | | **0.00** | **0.00** |
| | | | | | **7,082,369,923.47** | **6,893,330,313.48** |

# Consolidated Income Statement for the Period from January 1 to December 31, 2015

| Line item |
| --- |
| (€) |
| **I. Underwriting account for casualty and property insurance** |
| 1. Premiums earned for own account |
| a) Gross premiums written |
| b) Reinsurance premiums ceded |
| |
| c) Change in gross unearned premiums |
| d) Change in reinsurers' share of gross unearned premiums |
| |
| |
| 2. Technical interest income for own account |
| 3. Other underwriting income for own account |
| 4. Claims incurred net of reinsurance |
| a) Payments for claims |
| aa) Gross amount |
| bb) Reinsurers' share |
| |
| b) Change in provision for outstanding claims |
| aa) Gross amount |
| bb) Reinsurers' share |
| |
| |
| 5. Change in other net technical provisions |
| a) Net actuarial reserve |
| b) Other technical provisions |
| |
| 6. Expenses for performance-based and non-performance-based bonuses and rebates for own account |
| 7. Own account insurance business operating expenses |
| a) Gross insurance business operating expenses |
| b) less: commissions received and profit sharing received from outward reinsurance business |
| |
| 8. Other underwriting expenses for own account |
| **9. Subtotal** |
| 10. Change in the equalization provision and similar provisions |
| **11. Underwriting result for own account in casualty and property insurance** |

| | Note | | | 2015 | 2014 |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | 33 p. 85 | 1,088,344,909.66 | | | 1,026,065,728.22 |
| | | −11,332,762.19 | | | −11,278,847.89 |
| | | | 1,077,012,147.47 | | 1,014,786,880.33 |
| | | −8,902,743.78 | | | −3,478,240.46 |
| | | 467,317.56 | | | −218,534.49 |
| | | | −8,435,426.22 | | −3,696,774.95 |
| | | | | **1,068,576,721.25** | **1,011,090,105.38** |
| | | | | **926,945.02** | **623,829.00** |
| | | | | **2,008,907.93** | **2,004,440.26** |
| | | | | | |
| | | | | | |
| | | 550,880,250.09 | | | 522,863,013.72 |
| | | −5,580,978.97 | | | −5,062,759.16 |
| | | | 545,299,271.12 | | 517,800,254.56 |
| | | | | | |
| | | 6,033,087.42 | | | 40,553,584.20 |
| | | 499,955.03 | | | −2,811,741.04 |
| | | | 6,533,042.45 | | 37,741,843.16 |
| | | | | **551,832,313.57** | **555,542,097.72** |
| | | | | | |
| | | | 0.00 | | 0.00 |
| | | | −479,950.43 | | 2,143,009.08 |
| | | | | **−479,950.43** | **2,143,009.08** |
| | 39 p. 93 | | | **0.00** | **0.00** |
| | | | | | |
| | | | 464,823,347.65 | | 430,576,407.62 |
| | | | −1,909,167.91 | | −1,923,529.93 |
| | | | | **462,914,179.74** | **428,652,877.69** |
| | | | | **1,720,455.64** | **1,499,764.66** |
| | | | | **54,565,674.82** | **30,166,643.65** |
| | | | | **−5,782,570.00** | **11,514,087.00** |
| | | | | **48,783,104.82** | **41,680,730.65** |

# Consolidated Income Statement for the Period from January 1 to December 31, 2015

| Line item |
| --- |
| (€) |
| **II. Underwriting account for life and health insurance** |
| 1. Premiums earned for own account |
| a) Gross premiums written |
| b) Reinsurance premiums ceded |
| c) Change in gross unearned premiums |
| d) Change in reinsurers' share of gross unearned premiums |
| 2. Premiums from the gross provision for bonuses and rebates |
| 3. Income from investments |
| a) Income from equity investments |
| b) Income from associates |
| c) Income from other investments<br>of which from affiliated companies: € 19,256.21 (2014: € 0.00) |
| aa) Income from land, land rights and buildings,<br>including buildings on third-party land |
| bb) Income from other investments |
| d) Income from reversals of write-downs |
| e) Gains on the disposal of investments |
| 4. Unrealized gains on investments |
| 5. Other underwriting income for own account |
| 6. Claims incurred net of reinsurance |
| a) Payments for claims |
| aa) Gross amount |
| bb) Reinsurers' share |
| b) Change in provision for outstanding claims |
| aa) Gross amount |
| bb) Reinsurers' share |
| 7. Change in other net technical provisions |
| a) Net actuarial reserve |
| aa) Gross amount |
| bb) Reinsurers' share |
| b) Other technical provisions |
| 8. Expenses for performance-based and non-performance-based bonuses and rebates for own account |
| 9. Own account insurance business operating expenses |
| a) Front-end fees |
| b) Administrative expenses |
| c) less: commissions received and profit sharing received from outward<br>reinsurance business |
| 10. Expenses for investments |
| a) Expenses for the management of investments, interest expense and similar charges<br>and other expenses for investments |
| b) Depreciation, amortization and write-downs of investments<br>of which write-downs: € 33,999,855.00 (2014: € 3,474,022.49) |
| c) Losses on the disposal of investments |
| 11. Unrealized losses on investments |
| 12. Other underwriting expenses for own account |
| **13. Underwriting result for own account in life and health insurance** |

| | Note | | | 2015 | 2014 |
|---|---|---|---|---|---|
| | | | | | |
| | 33 p. 85 | 567,713,074.67 | | | 562,088,695.56 |
| | | –4,809,811.07 | | | –5,077,587.03 |
| | | | 562,903,263.60 | | 557,011,108.53 |
| | | –203,222.38 | | | –311,186.12 |
| | | –41,509.98 | | | –183,419.50 |
| | | | –244,732.36 | | –494,605.62 |
| | | | | **562,658,531.24** | **556,516,502.91** |
| | | | | **27,650,295.27** | **14,534,305.78** |
| | | | | | |
| | | | 1,496,677.18 | | 1,504,246.80 |
| | | | 0.00 | | 0.00 |
| | | | | | |
| | | 9,635,080.76 | | | 9,558,146.32 |
| | | 150,655,337.46 | | | 157,657,420.87 |
| | | | 160,290,418.22 | | 167,215,567.19 |
| | | | 4,552,158.93 | | 31,396,416.10 |
| | | | 39,437,453.92 | | 14,061,507.39 |
| | | | | **205,776,708.25** | **214,177,737.48** |
| | 36 p. 90 | | | **9,373,246.65** | **21,113,124.91** |
| | | | | **7,395,597.62** | **6,135,250.88** |
| | | | | | |
| | | | | | |
| | | 432,094,008.87 | | | 435,798,713.98 |
| | | –7,913,983.55 | | | –9,056,275.27 |
| | | | 424,180,025.32 | | 426,742,438.71 |
| | | | | | |
| | | 472,751.52 | | | –3,219,785.99 |
| | | 928,248.65 | | | –364,545.11 |
| | | | 1,401,000.17 | | –3,584,331.10 |
| | | | | **422,779,025.15** | **430,326,769.81** |
| | | | | | |
| | | | | | |
| | | –168,835,455.53 | | | –167,846,767.51 |
| | | –1,472,053.00 | | | –6,600,897.00 |
| | | | –170,307,508.53 | | –174,447,664.51 |
| | | | –2,030,962.07 | | –14,517,299.80 |
| | | | | **–172,338,470.60** | **–188,964,964.31** |
| | 39 p. 93 | | | **57,635,326.02** | **64,246,907.65** |
| | | | | | |
| | | 50,520,084.87 | | | 67,356,341.41 |
| | | 17,182,841.26 | | | 17,715,816.67 |
| | | | 67,702,926.13 | | 85,072,158.08 |
| | | | 128,670.55 | | –2,182,268.15 |
| | | | | **67,831,596.68** | **82,889,889.93** |
| | | | | | |
| | | | 6,990,515.03 | | 6,192,274.14 |
| | | | 36,270,872.79 | | 5,736,463.71 |
| | | | 4,516,802.76 | | 1,278,902.71 |
| | | | | **47,778,190.58** | **13,207,640.56** |
| | | | | **1,337,576.91** | **926,011.79** |
| | | | | **25,827,319.75** | **13,005,950.08** |
| | | | | **17,326,873.34** | **18,908,787.83** |

# Consolidated Income Statement for the Period from January 1 to December 31, 2015

| Line item |
|---|
| (€) |
| **III. Non-underwriting account** |
| 1. Underwriting result for own account |
| a) in casualty and property insurance |
| b) in life and health insurance |
| |
| 2. Income from investments, unless listed under II. 3. |
| a) Income from equity investments<br>of which from affiliated companies: € 722,123.23 (2014: € 199,000.00) |
| b) Income from associates |
| c) Income from other investments<br>of which from affiliated companies: € 0.00 (2014: € 0.00) |
| aa) Income from land, land rights and buildings, including buildings on third-party land |
| bb) Income from other investments |
| |
| d) Income from reversals of write-downs |
| e) Gains on the disposal of investments |
| |
| 3. Expenses for investments, unless listed under II. 10. |
| a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments |
| b) Depreciation, amortization and write-downs of investments<br>of which write-downs: € 15,330,177.30 (2014: € 8,155,840.84) |
| c) Losses on the disposal of investments |
| d) Transfer of losses from associates accounted for using the equity method |
| |
| |
| 4. Technical interest income |
| 5. Revenue of non-insurance companies |
| 6. Cost of goods and services provided by non-insurance companies to generate revenue |
| 7. Other income |
| 8. Other expenses<br>of which write-downs on goodwill arising on consolidation: € 3,132,819.56 (2014: € 3,132,819.56) |
| |
| **9. Non-underwriting result** |
| **10. Profit/loss from ordinary activities** |
| 11. Extraordinary income |
| 12. Extraordinary expenses |
| |
| **13. Profit before tax** |
| 14. Income taxes<br>of which resulting from the change in recognized deferred taxes: € 5,534,051.07 (2014: tax income of € 3,325,803.81) |
| 15. Other taxes |
| |
| **16. Net income for the year before non-controlling interests** |
| 17. Profit attributable to non-controlling interests |
| 18. Loss attributable to non-controlling interests |
| |
| **19. Net income for the year** |

| | Note | | | 2015 | 2014 |
|---|---|---|---|---|---|
| | | | | | |
| | | | 48,783,104.82 | | 41,680,730.65 |
| | | | 17,326,873.34 | | 18,908,787.83 |
| | | | | **66,109,978.16** | **60,589,518.48** |
| | | | | | |
| | | | | | |
| | | 875,335.56 | | | 471,290.02 |
| | | 3,505,573.04 | | | 3,156,348.16 |
| | | | | | |
| | | | | | |
| | | 14,812,892.03 | | | 14,535,796.78 |
| | | 56,609,213.32 | | | 49,808,134.86 |
| | | 71,422,105.35 | | | 64,343,931.64 |
| | | 4,687,940.54 | | | 11,411,868.22 |
| | | 6,144,035.33 | | | 16,926,035.13 |
| | | | 86,634,989.82 | | 96,309,473.17 |
| | | | | | |
| | | | | | |
| | | 11,953,505.72 | | | 11,075,997.65 |
| | | | | | |
| | | 18,797,111.07 | | | 11,517,872.12 |
| | | 1,914,066.87 | | | 567,105.87 |
| | | 0.00 | | | 0.00 |
| | | | 32,664,683.66 | | 23,160,975.64 |
| | | | | **53,970,306.16** | **73,148,497.53** |
| | | | | **–926,945.02** | **–623,829.00** |
| | | | | **66,640,144.33** | **57,606,694.83** |
| | | | | | |
| | | | | **62,038,407.15** | **51,215,092.31** |
| | | | 24,479,721.71 | | 20,952,131.17 |
| | | | | | |
| | | | 81,500,528.82 | | 75,981,871.51 |
| | | | | **–57,020,807.11** | **–55,029,740.34** |
| | | | | **624,291.21** | **23,886,530.71** |
| | | | | **66,734,269.37** | **84,476,049.19** |
| | 37 p. 90 | | 0.00 | | 0.00 |
| | 37 p. 90 | | 266,844.00 | | 266,844.00 |
| | | | | **–266,844.00** | **–266,844.00** |
| | | | | **66,467,425.37** | **84,209,205.19** |
| | | | | | |
| | 38 p. 90 | | | | |
| | | | 35,683,817.83 | | 35,474,682.32 |
| | | | 1,556,283.66 | | 1,480,776.15 |
| | | | | **37,240,101.49** | **36,955,458.47** |
| | | | | **29,227,323.88** | **47,253,746.72** |
| | | | –225,936.17 | | –2,980,874.54 |
| | | | 259,879.74 | | 947,581.05 |
| | | | | **33,943.57** | **–2,033,293.49** |
| | | | | **29,261,267.45** | **45,220,453.23** |

# Notes to the Consolidated Financial Statements

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

### Legal basis of preparation

The consolidated financial statements of ARAG Holding SE and the group management report are prepared in accordance with the requirements of the German Commercial Code (HGB) for large corporations and with the supplementary provisions for insurance companies dated November 8, 1994 (Regulation on the Accounting of Insurance Undertakings, RechVersV), in particular in compliance with the requirements on consolidated accounting pursuant to sections 341i and 341j HGB and sections 58 – 60 RechVersV and with the German accounting standards (GAS). The latter are applied to the extent that they do not limit accounting consistency and to the extent that they are material to the reporting of the Group's net assets, financial position, and results of operations. The transitional provisions relating to the German Accounting Law Modernization Act (BilMoG) dated May 25, 2009 in section 67 of the Introductory Act to the German Commercial Code (EGHGB) are applied in respect of some of the Group companies.

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

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

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

### Basis of consolidation

As of December 31, 2015, 38 subsidiaries were included in the consolidated financial statements pursuant to section 301 (1) HGB (December 31, 2014: 39). One Group company was consolidated as an associate pursuant to section 311 HGB.

As of December 31, 2015, the basis of consolidation excluding associates comprised seven insurance companies (December 31, 2014: seven), two service companies in the field of information technology and business organization (December 31, 2014: two), two real-estate management companies (December 31, 2014: three), four capital investment vehicles (December 31, 2014: four), 19 other service companies (December 31, 2014: 19), and five holding and asset management companies (including the parent company; December 31, 2014: five).

There were 26 Group companies that were not included in the consolidated financial statements (December 31, 2014: 25) because these entities are not material, which means that their non-consolidation does not adversely affect the Group's net assets, financial position, or results of operations.

**The following companies are included in the consolidated financial statements:**

| Name of company | Shareholding (%) |
|---|---|
| 1 Advisory Communications System Inc., Des Moines, Iowa/USA | 100.00 |
| 2 AFI Verwaltungs-Gesellschaft mbH, Düsseldorf | 100.00 |
| 3 ALIN 1 Verwaltungs-GmbH, Düsseldorf | 100.00 |
| 4 ALIN 2 Verwaltungs-GmbH, Düsseldorf | 100.00 |
| 5 ALIN 3 Verwaltungs-GmbH, Düsseldorf | 91.00 |
| 6 ALIN 4 Verwaltungs-GmbH, Düsseldorf | 93.26 |
| 7 ALIN 1 GmbH & Co. KG, Düsseldorf | 100.00 |
| 8 ALIN 2 GmbH & Co. KG, Düsseldorf | 100.00 |
| 9 ALIN 3 GmbH & Co. KG, Düsseldorf | 91.00 |
| 10 ALIN 4 GmbH & Co. KG, Düsseldorf | 93.26 |
| 11 ALV Vermögens- und Beteiligungs-Verwaltungs AG, Munich | 91.00 |
| 12 ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Munich | 91.00 |
| 13 ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf | 94.79 |
| 14 ARAG Allgemeine Versicherungs-AG, Düsseldorf | 100.00 |
| 15 ARAG Association LLC, Des Moines, Iowa/USA | 100.00 |
| 16 ARAG Holding SE, Düsseldorf, **Group parent company** | 100.00 |
| 17 ARAG Insurance Company Inc., Des Moines, Iowa/USA | 100.00 |
| 18 ARAG International Holding GmbH, Düsseldorf | 100.00 |
| 19 ARAG IT GmbH, Düsseldorf | 100.00 |
| 20 ARAG Krankenversicherungs-AG, Munich | 93.26 |
| 21 ARAG Lebensversicherungs-AG, Munich | 91.00 |
| 22 ARAG Legal Services B.V., Leusden/Netherlands | 100.00 |
| 23 ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf | 100.00 |
| 24 ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf | 100.00 |
| 25 ARAG LLC, Des Moines, Iowa/USA | 100.00 |
| 26 ARAG North America Inc., Des Moines, Iowa/USA | 100.00 |
| 27 ARAG Plc., Bristol/United Kingdom | 100.00 |
| 28 ARAG SE, Düsseldorf | 100.00 |
| 29 ARAG Service Center GmbH, Düsseldorf | 100.00 |
| 30 ARAG Services Corporation, Toronto/Canada | 100.00 |
| 31 ARAG Services LLC, Des Moines, Iowa/USA | 100.00 |
| 32 CUR Versicherungsmakler GmbH, Düsseldorf | 100.00 |
| 33 Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Düsseldorf (merged with ARAG SE as of January 1, 2015) | 100.00 |
| 34 Cura Versicherungsvermittlung GmbH, Düsseldorf | 100.00 |
| 35 HELP Forsikring AS, Oslo/Norway | 100.00 |
| 36 Interlloyd Versicherungs-AG, Düsseldorf | 100.00 |
| 37 SolFin GmbH, Düsseldorf | 75.10 |
| 38 TERRA Gesellschaft für Finanzdienstleistungen und Beratung mbH, Düsseldorf | 100.00 |
| 39 WOWOBAU Wohnungsbaugesellschaft mbH, Munich | 91.00 |

**The following company is included as an associate:**

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

Janolaw AG, Sulzbach, in which the Group holds 25.1 percent of the shares, was not consolidated as an associate pursuant to section 311 (2) HGB because the entity does not prepare its financial statements in time and is not material to the Group's net assets, financial position, and results of operations.

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

| Name of company | Shareholding | Equity | Net income for the year |
|---|---|---|---|
| | (%) | (€) | (€) |
| 1 ABRAL Beteiligungsverwaltung GmbH, Munich | 91.00 | 143,314.01 | 316,387.86 |
| 2 Agencia de Seguros ARAG S. A., Barcelona/Spain* | 100.00 | 178,692.37 | 108,588.22 |
| 3 ALVA Aktiengesellschaft, Munich | 91.00 | 403,988.65 | 258,110.14 |
| 4 ARAG Services Spain & Portugal S. L., Barcelona/Spain* | 100.00 | 343,126.81 | 5,562.33 |
| 5 ARAG-France S. A. R. L. Assistance et Règlement de Sinistres Automobiles et Généraux, Versailles/France | 100.00 | 18,988.00 | 0.00 |
| 6 ARCA-A GmbH i. L., Munich (liquidated) | 91.00 | 15,096.97 | –1,901.25 |
| 7 ARCA-B GmbH, Munich | 91.00 | 14,762.31 | –2,035.60 |
| 8 ARCA-C GmbH, Munich | 91.00 | 1,356.89 | –3,660.67 |
| 9 ARCA-D GmbH, Munich | 91.00 | 14,803.30 | –2,035.60 |
| 10 ARCA-F GmbH i. L., Munich (liquidated) | 91.00 | 15,115.78 | 250.13 |
| 11 ARCA-G GmbH, Munich | 91.00 | 14,801.19 | –2,035.60 |
| 12 ARCA-H GmbH, Munich | 91.00 | 14,849.32 | –2,036.89 |
| 13 ARCA-I GmbH, Munich | 91.00 | 14,733.31 | –2,038.07 |
| 14 ARCA-J GmbH i. L., Munich (liquidated) | 91.00 | 4,735.17 | –456.92 |
| 15 ARCANSA Beteiligungsverwaltung GmbH, Munich | 91.00 | 6,691.36 | 66,157.35 |
| 16 ATE Group Services Limited, Bristol/United Kingdom* | 100.00 | 1.29 | 0.00 |
| 17 ATE Limited i. L. (dormant), Bristol/United Kingdom | 100.00 | 103,052.24 | 0.00 |
| 18 COLUMBUS Immobilien Fonds XVI GmbH & Co. KG, Munich** | 54.31 | 4,206,792.32 | –42,824.07 |
| 19 Columbus Capital Service GmbH i. L., Munich (liquidated) | 91.00 | 24,122.88 | 61,269.46 |
| 20 Easy2claim Limited, Bristol/United Kingdom* | 100.00 | 1.29 | 0.00 |
| 21 GWV-AVUS Beteiligungsmanagement GmbH, Munich* | 91.00 | 603,387.86 | –13,767.41 |
| 22 JuroDirect B. V., Maastricht/Netherlands | 100.00 | 508,375.00 | –300,674.00 |
| 23 Jurofoon B. V., Maastricht/Netherlands | 100.00 | 789,250.00 | 87,731.00 |
| 24 Juronet B. V., Maastricht/Netherlands | 100.00 | –612,363.00 | –292,745.00 |
| 25 Prinzregent Vermögensverwaltungs-GmbH, Munich | 91.00 | 32,845.46 | –642.79 |
| 26 VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf | 100.00 | 182,546.44 | 150,804.12 |

* Figures from the financial statements for the year ended December 31, 2014
** Figures from the financial statements for the year ended December 31, 2013

**Procedures of consolidation**

The consolidated financial statements are prepared on the basis of the separate financial statements of the Group companies. The financial year covered the period January 1 to December 31, 2015 and was identical to the financial years of the consolidated companies.

Up to and including 2010, the accounting for subsidiaries in consolidated financial statements was based on the carrying amount method; the revaluation method used in subsequent years involved subtracting the equity attributable to the Group at the time of initial consolidation from the cost of the equity investments in the consolidated subsidiaries. Where this resulted in a positive difference, the carrying amounts of assets of the relevant subsidiaries were written up accordingly if there was the flexibility to do so in their valuation. Where there was no further scope to do so, the remaining amount was recognized as goodwill and amortized over its estimated useful life.

In the case of subsidiaries that were already included in the consolidated financial statements in 1989 in accordance with section 27 EGHGB or in cases where negative goodwill had arisen on acquisition that had affected the financial statements of the parent company in previous years, there was an offsetting against revenue reserves in earlier years. Goodwill amounts on initial consolidation have not been offset against revenue reserves since 2010 because this is no longer permitted under section 301 (3) HGB and German accounting standard (GAS) 4.28.

1 **Negative goodwill arising on consolidation** materialized for technical reasons in 2009 when a write-down had to be recognized on a subsidiary in the period between initial consolidation of the additional shares acquired and the time at which these shares were acquired. It was reversed in 2015 due to the merger of the subsidiary with its parent company.

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

Intercompany profit that is required to be eliminated is deducted from the carrying amounts of the affected assets and recognized in the income statement, provided that, overall, the amounts concerned are material to presenting a true and fair view of the net assets, financial position, and results of operations. The option pursuant to section 341j (2) HGB is generally utilized where the intercompany profit forms the basis for policyholder claims.

Group companies' receivables from, and liabilities to, other Group companies are offset against each other.

Consolidated entities' revenue from the provision of goods and services to other consolidated entities is offset against the associated expenses incurred by the providing entity unless the recipient is an insurance company.
Consolidated insurance companies' brokerage services provided to other consolidated insurance companies are performed on the basis of arm's-length terms and conditions that are typical in the market. Consolidation of commission resulting from brokerage and of goods and services provided by other Group companies to Group insurance companies is performed at the level of the providing entity by offsetting them against the related expenses.

**Currency translation**
Balance sheets prepared in foreign currencies are translated into euros at the middle spot rate as of the balance sheet date in accordance with the balance-sheet-date principle. The valuation dates are June 30, September 30, and December 31. Amounts on the income statement that are recognized for the period are translated at an average of the month-end exchange rates. An amount of €6,714,496.32, representing the proportion attributable to the Group of the difference between the equity translated at the historical exchange rate and the equity translated at the closing rate, was recognized in other comprehensive income under revenue reserves.

**Recognition, valuation, and presentation methods**
The consolidated balance sheet and consolidated income statement are presented on the basis of the financial statement forms prescribed by the RechVersV.
Because the Group has multiple lines of business, the line item 'Land held for sale and other inventories of non-insurance companies' has had to be added to the balance sheet and the items 'Revenue of non-insurance companies' and 'Cost of goods and services provided by non-insurance companies to generate revenue' has had to be added to the income statement.

2 **Goodwill** results partly from accounting for subsidiaries in consolidated financial statements and partly from acquisitions.
In accordance with GAS 4 no. 31, the amortization period is defined on the basis of the estimated useful life. For insurance companies, this is assumed to be 15 years (portfolio value); for other companies it is estimated on a case-by-case basis (up to five years). Goodwill with a remaining useful life of more than five years amounted to €11.2 million as of December 31, 2015. The useful life was originally set at 15 years because the goodwill was assumed to be part of the insurance portfolio. Experience shows that this fluctuates by between approximately 6 and 7 percent per year.

3 **Other intangible assets** are recognized at cost less straight-line amortization. The carrying amount of €12,490,291.88 can be broken down as follows: €7,744,496.75 for software, €1,573,123.32 € for leasehold improvements in business premises in Italy and Slovenia, €50,000.00 for two industrial property rights, €118,793.60 for two usage rights, and

€ 3,003,878.21 for goodwill arising on an acquisition in Spain. Software is essentially amortized over five years on a straight-line basis. Leasehold improvements are amortized over the remaining term of the leases using the straight-line method. The industrial property rights are not amortized (recognition at a fixed value). The usage rights are amortized over their term using the straight-line method. Goodwill is amortized over a period of six years. No write-downs were recognized in 2015.

4 **Land** is valued at cost less depreciation and is written down in accordance with strict application of the lower of cost or market principle. Due to expected permanent impairment, it was necessary to recognize write-downs of € 86,469.00 in the reporting year on land used as a parking lot that was sold after the balance sheet date. Land that is recognized as an investment is not encumbered by land charges used as collateral for liabilities to banks.

5 **Shares in non-consolidated affiliated companies** and **other equity investments** are carried at cost in accordance with section 253 (1) HGB, less write-downs resulting from long-term impairment. In the reporting year, write-downs of € 10,002.00 were recognized on non-consolidated affiliated companies (2014: € 53,630.37) and of € 80,986.26 on other equity investments (2014: € 0.00). Reversals of write-downs pursuant to section 253 (5) HGB of € 184,121.49 were recognized on shares in non-consolidated affiliated companies and of € 3,691,410.00 on other equity investments. **Investments in associates** are valued at their carrying amount at the time the shares were acquired or at the time of initial consolidation, plus or minus the pro-rata amount of changes in equity in subsequent years. The goodwill arising from using the equity method at the time of initial consolidation is already fully amortized. **Lending to non-consolidated affiliated companies** is recognized at the nominal amount. In the event of long-term impairment, the loans are written down to their fair value. No write-downs were recognized in the reporting year (2014: € 0.00).

6 **Equities, investment fund shares/units and other variable-yield securities** are generally valued at the lower of cost or market value as of the reporting date in accordance with section 341b (2) HGB in conjunction with section 253 (1), (3), and (4) HGB. The investment fund shares/units that were classified as fixed assets in previous years were valued using the discretionary principle of lower of cost or market value in accordance with section 253 (3) sentence 3 HGB. Write-downs are recognized only to the extent that the underlying impairment is considered to be long term. Correspondingly, reversals of write-downs are recognized only if the reversal is regarded as long term. As of December 31, 2015, the long-term market value was generally assumed to be the quoted market price – as it had been a year earlier. An exception was applied to the fixed-income institutional fund units, the market value of which was calculated as the total of the redemption amounts of the bonds contained in this fund, provided that they have an investment-grade rating. In the reporting year, write-downs amounting to € 42,268,143.41 were recognized due to expected permanent impairment (2014: € 2,425,197.66). Reversals of write-downs pursuant to section 253 (5) HGB were recognized in an amount of € 657,926.58 in 2015 (2014: € 36,187,081.72).

The classification of institutional fund units for permanent use in business operations resulted in hidden liabilities of €13,085,405.19 (December 31, 2014: €0.00) due to write-downs not being recognized. As of December 31, 2015, the total fair value was not less than the carrying amount.

7 **Bearer bonds and other fixed-income securities** are generally valued in accordance with the requirements for current assets pursuant to section 253 (1) sentence 1, (4), and (5) and section 256 HGB. In accordance with section 341 (2) second half-sentence HGB, some of the bonds and securities have been classified for permanent use in business operations. Due to this classification, hidden liabilities of €5,010,876.25 had been generated in respect of this subset of bonds and securities as of December 31, 2015 (December 31, 2014: €126,660.90) because no write-downs were recognized as the impairment was only temporary.

8 **Other lending** comprises registered profit-participation certificates, other loans, and prepayments for certificates of insurance. They are recognized at cost less repayments made.

9 **Registered bonds** are accounted for at face value. Discounts are deferred using the straight-line method. Premiums are capitalized and recognized in income using the straight-line method over the term to maturity.

10 **Loans secured by mortgages or land charges and fixed-income receivables, and other investments** are accounted for at cost or at their redemption amount. Write-downs pursuant to section 253 (3) sentence 3 HGB were not recognized (2014: €1,651,224.80).

11 **Investments for the account and at the risk of life insurance policyholders** are recognized at fair value. The gross provisions shown in line F. under equity and liabilities correspond to this fair value.

12 **Bank deposits** are recognized at their nominal amount. A current bank account with a balance of €6,441,969.84 is pledged to Bank für Tirol und Vorarlberg AG as collateral for building loans.

13 **Receivables** are generally recognized at their principle amount. A general allowance for latent credit risk is deducted from receivables from policyholders and from trade receivables. Receivables from agents are reduced by specific allowances and a general allowance in the amount of the likely level of default.

14 In accordance with section 253 (1) sentence 1 HGB, **property and equipment** is recognized at cost and depreciated on a straight-line basis over the standard operating useful life.

15 **Inventories** are determined by carrying out physical inventory checks. They are measured at cost. The inventories of the real estate development company are recognized at cost, in which an appropriate proportion of administrative overheads and the exact proportion of finance costs that is attributable to the manufacturing period have been included. Inventories with a carrying amount of €50,251,289.20 (December 31, 2014: €36,160,242.18) of the real estate development companies in the Group are encumbered by land charges or as a result of assigning the claims from disposal to the banks providing the funding.

16 **Other assets** are recognized at their nominal amount. Tax credits pursuant to section 37 (5) of the German Corporation Tax Act (KStG) are valued at present value on the basis of a discount rate of 4.5 percent.

17 **Prepaid expenses and accrued income** mainly consist of accrued rights to interest that are not yet due in respect of the income period before the balance sheet date and of cash payments expensed after the balance sheet date. This line item also includes an amount of €4,934,964.10 (December 31, 2014: €5,460,946.21) stemming from the difference pursuant to section 341c (2) sentence 2 HGB.

18 **Deferred tax assets** include the likely tax benefit in subsequent financial years in the amount of the current or future income tax rates if their recognition has been sufficiently secured. If valuation adjustments required to ensure consistent valuation in the consolidated financial statements arise between the carrying amounts in the HGB financial statements and those in the tax base because of temporary differences between the HGB financial statements and the tax base reported in single-entity financial statements and if differences arise because of consolidation activities, and these differences are expected to reverse in subsequent years, deferred taxes are recognized in respect of these valuation adjustments and differences using separate entity-specific tax rates. This also includes differences for which the timing of the reversal is not yet precisely known or depends on action by the entity concerned, and differences that would only reverse in the event of any liquidation. Deferred tax assets have not been recognized for tax loss carryforwards. Differences are only recognized if their elimination in subsequent years is likely to be the result of a reduction in taxable income or a decline in effects from deferred tax liabilities. After the five-year forecast period has ended, differences that are likely to still not have been eliminated will be subjected to an individual, country-specific markdown if there are net deferred tax assets in order to take account of future imponderables that go beyond entity-specific planning and changes in future tax law.

19 The **excess of plan assets over pension liabilities** is the balance of pension obligations at present value and the fair value of the securities held to cover these liabilities.

20 **Subordinated liabilities** have been issued by way of private placement to strengthen the own funds used to determine the solvency ratio. The subordinated liabilities are recognized at their repayment amount (= settlement amount). The registered bonds are not negotiable in Germany on a regulated market within the meaning of section 2 (5) of the German Securities Trading Act (WpHG).

21 **Gross unearned premiums** for direct insurance business are calculated pro rata temporis on the basis of the premiums and cancellations posted, less the installment surcharges. In accordance with a Circular from the German Federal Ministry of Finance (BMF) dated April 30, 1974, the non-transferable income components are deducted from the unearned premiums for the domestic parts of the business of the Group's insurance companies. A total of 85 percent of the commissions and other remuneration for agents is recognized as non-transferable income components. The capitalized portion of the acquisition costs are deducted from the unearned premiums for the non-German parts of the business.

The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements.

22 The **life insurance actuarial reserves** – for sums insured and bonuses – for old policies are calculated in accordance with actuarial principles that have been communicated to the German Federal Financial Supervisory Authority (BaFin) in accordance with the business plan.

The actuarial reserves are calculated on an individual policy basis using the prospective method with implied consideration of future costs. To this end, the following basis of calculation was used for individual endowment insurance policies and wealth-building life insurance policies (with a share of 32.2 percent of the total actuarial reserves): discount rates of 3 percent and 3.5 percent, zillmerizing of a maximum of 3.5 percent of the sums insured (exception: rates and charges with a higher death benefit), and mortality probabilities based on the ADSt 01/10 combined, ADSt 24/26 M, ADSt 60/62 mod. M, and ADSt 1986 mortality tables, separated into men and women.

The actuarial reserves for new premium-based policies are calculated on an individual policy basis using the prospective method (or retrospective method in the case of fund-linked products) with implied consideration of future administrative expenses. In the calculation of the surrender values and the actuarial reserve recognized on the balance sheet for the 2008 scale of rates and charges onward, the acquisition costs are allocated over five years in accordance with the provisions of the German Insurance Contracts Act (VVG). An explicit administrative expenses provision has been recognized to cover the premium-free periods of premium-free insurance policies – including, but not limited to, bonus sums insured and policies with a shortened period of premium payments. In accordance with section 13d no. 6 of the German Insurance Supervision Act (VAG, version prior to the most recent amendment), BaFin has been notified of the basis of calculation used.

The individual endowment insurance policies (share of 24.0 percent of the total actuarial reserves) are calculated with a discount rate of 4 percent (94/95 and 98 scales of rates and charges), 3.25 percent (2000 scale of rates and charges), 2.75 percent (2004 scale of rates and charges), 2.25 percent (2007 and 2008 scale of rates and charges), 1.75 percent (2012 and 2013 scale of rates and charges), and 1.25 percent (2015 scale of rates and charges) and with a Zillmer rate of 3.3 percent of the sums insured (94/95 scale of rates and charges, with the exception of rates and charges with a higher death benefit) or a Zillmer rate of 4.0 percent of total premiums (1998, 2000, 2004, 2007, 2008, 2012, 2013 scales of rates and charges) or a Zillmer rate of 2.5 percent of total premiums (2015 scale of rates and charges onward), and mortality probabilities based on the DAV 1994 T mortality table, separated into men and women. The Company's own unisex tables based on the aforementioned DAV 1994 T mortality tables are used for the unisex scales of rates and charges from 2013 onward.

In the case of individual pension policies (share of 23.0 percent of the total actuarial reserves), the following basis of calculation was used until 2004: discount rate of 4 percent, 3.25 percent, or 2.75 percent, Zillmer rate of 3.3 percent of the lump sum (94/95 scale of rates and charges) or 4.0 percent of total premiums (1998, 2000, and 2004 scale of rates and charges), and mortality probabilities based on the DAV 1994 R mortality table, separated into men and women.

Analysis of changes in longevity by the German Actuarial Association (DAV) has found that the DAV 1994 R mortality table is no longer adequate for the recognition of reserves for pension insurance. On June 21, 2014, the DAV published guidance containing new mortality tables both for new business (DAV 2004 R mortality table) and for existing pension insurance policies (DAV 2004 R in-force business and R-B20 mortality tables).
Taking account of the company-specific probability of cancellations and lump sums, the actuarial reserve for all deferred and current pension insurance policies was also calculated as of December 31, 2015 using the new tables and a positive difference between the new and old actuarial reserves of €10.52 million was used to strengthen reserves.
The scale of rates and charges for pension insurance using the existing basis of calculation was closed for new business with effect from January 1, 2005. Since then, new pension insurance policies have been based solely on rates and charges using the latest basis of calculation: discount rate of 2.75 percent (2004 scale of rates and charges), 2.25 percent (2007 and 2008 scales of rates and charges), 1.75 percent (2012 and 2013 scale of rates and charges), and 1.25 percent (2015 scale of rates and charges). The Company's own unisex tables based on the aforementioned DAV 2004 R mortality tables are used for the unisex scales of rates and charges from 2013 onward.
For supplementary disability insurance, the DAV 1997 I invalidity tables with a discount rate of 2.25 percent (2008 scale of rates and charges) or 1.75 percent (2012 scale of rates and charges) are used. The Company's own unisex disability tables based on the reinsurer's invalidity tables are used for the 2013 and 2014 unisex scales of rates and charges with a discount rate of 1.75 percent and for the 2015 scale of rates and charges with a discount rate of 1.25 percent.
In accordance with the amendment to the German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV) dated March 1, 2011, an additional actuarial reserve (supplementary change-in-discount-rate reserve) was recognized for the rates and charges whose guaranteed discount rate is above the reference rate for 2015 of 2.88 percent (2.75 percent for old policies). In 2015, the option to take account of the cancellation probabilities for new policies was exercised. The total amount of this supplementary change-in-discount-rate reserve is €126.6 million; the increase in 2015 was €35.9 million.
For the supplementary disability insurance policies with an older basis of calculation, which have been closed for new business, a control calculation was carried out using the current basis of calculation from the German Actuarial Association. This revealed a need to add €0.6 million to reserves.
If claims against policyholders for acquisition cost loadings that have not yet been paid cannot be offset against the actuarial reserve, the claims are recognized in line item D. I. no. 1 b after deduction of general allowances for expected defaults.
The **actuarial reserve for health insurance** is calculated in accordance with actuarial principles defined in the technical basis of calculation individually for each insurance policy, applying the underlying data from the insurance policy in question. The transfer amounts contained in the actuarial reserve have been determined in accordance with section 13a of the German Calculation Regulation (KalV). The average discount rate is 3.29 percent.

The components of premiums from anticipated premium-free children's accident insurance policies are added to the **children's accident actuarial reserves**. The calculation is carried out using mathematical principles in accordance with the underwriting business plan.

23 The **provision for outstanding claims** in relation to direct casualty and property insurance business is recognized separately by event year for claims reported in the financial year concerned and for anticipated claims that are reported after the balance sheet date. In addition, a provision for claim settlement expenses has been recognized pursuant to section 341g (1) HGB (for domestic parts of the business of the Group's insurance companies according to the coordinated regulations issued by the German federal states on February 2, 1973). Recourse claims that are expected to be recovered in the near future are deducted from the property insurance companies' claims provision.

The provision for outstanding claims in the inward reinsurance business is recognized in accordance with the information provided by the primary insurer. The provision for outstanding claims in connection with the inward reinsurance business from primary insurers in the United Kingdom is determined on the basis of past experience and statistics produced by the Group's own claims settlement company. The proportions relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties.

Technical interest income is calculated at 1.75 percent of the arithmetic mean of the opening and closing balance of the actuarial reserve and the benefit reserves for annuities in the casualty and property insurance segment.

The provision for claims that have occurred by the balance sheet date but are **still outstanding and buybacks in life insurance** has been recognized on the basis of the premiums that are likely to be paid. A provision for outstanding claims has been recognized on the basis of empirical values for claims that occurred in 2015 but had not been reported by the time the balance sheet was prepared (IBNR claims).

A provision in the amount of the expenses that are likely to be incurred by settling these insurance benefits after the balance sheet date has also been recognized, taking the tax rules into consideration.

In accordance with rulings by the German Federal Court of Justice (BGH) dated October 12, 2005 and July 29, 2012, the actuarial reserve was increased by an additional lump sum of €2.5 million for the affected premium-free policies. In respect of affected buybacks that have already been cancelled but not yet statute-barred, an additional provision for outstanding buybacks of €0.1 million has also been recognized.

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

The expenses that are likely to be incurred after the balance sheet date for settling claims from previous years were determined in accordance with the tax rules pursuant to section 341g (1) HGB on the basis of coordinated regulations issued by the German federal states on February 2, 1973.

Recourse claims were deducted from the provision.

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

25 The **cancellation provision** reported under other technical provisions to cover the discontinuation or reduction of technical risk is recognized in the amount of the estimated requirement. The **provision for expected losses** is recognized in accordance with section 31 (1) no. 2 RechVersV. To this end, the policies already sold in the loss-making insurance segments were examined as part of multi-year planning. The amount of the loss then expected was added to the provision for expected losses.

26 In accordance with standard international practice, **the provisions for pensions and other post-employment benefits** are calculated using the projected unit credit (PUC) method and applying section 253 (1) sentence 2 HGB on the basis of the 2005G mortality tables published by Professor Klaus Heubeck or local mortality tables that accurately reflect life expectancy. In addition to current circumstances, future trends in salaries, pensions, and staff turnover are taken into account. In accordance with section 253 (2) sentence 2 HGB, the discount rate used is the interest rate estimated on the basis of the average interest rate for the past seven years published by Deutsche Bundesbank in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) for an assumed residual maturity of 15 years.

The following actuarial parameters were used to calculate the obligations: pension age of 65 years, annual increase in salaries of 2.5 percent, annual increase in pension benefits of 1.75 percent (for Spain, 2.5 percent), discount rate of 3.89 percent (discount rate pursuant to section 253 (2) sentence 2 HGB).

The level of staff turnover taken into account reflects the generally observable age-dependent average for the industry (1.5 percent or sliding scale linked to age) and has only a minor impact on the settlement value.

The initial difference arising under the new valuation rules in section 253 (1) sentence 2 and (2) HGB as of January 1, 2010 amounted to €17,524,490.00. Of this amount, €15,661,071.00 had been allocated to the provision for pensions and other post-employment benefits by December 31, 2015, which means that a further €1,863,419.00 (December 31, 2014: €2,130,263.00) still needs to be added to the provision by December 31, 2024 in accordance with section 67 (1) EGHGB.

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

### Net provisions for pensions and other post-employment benefits

| (€) | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Amount required to settle the vested entitlements | 246,941,568.00 | 229,663,950.00 |
| Netted assets (fair value) | –5,985,040.74 | –6,236,840.70 |
| Not yet added in accordance with section 67 (1) EGHGB | –1,863,419.00 | –2,130,263.00 |
| **Amount reported on the balance sheet** | **239,093,108.26** | **221,296,846.30** |

In 2015, interest income of €117,297.38 (2014: €260,303.38) on the plan assets was offset in the income statement against the interest cost arising from the addition to the obligation.

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

27 **Provisions for early retirement obligations** are recognized for those persons with whom individual contractual agreements have been reached. The provisions are calculated using actuarial principles.

In 2015, a **provision in accordance with the pre-retirement part-time employment agreement** for the private insurance industry dated June 11, 1997 and the AcP HFA 3 pronouncement of the Institute of Public Auditors in Germany (IDW) dated November 18, 1998 was recognized on the basis of a discount rate of 3.89 percent for matching maturities. In the case of deferred beneficiaries with whom a specific agreement has not yet been reached, the probability of their making use of the early retirement arrangements and natural employee attrition were taken into account. Credit balances on employee working hours accounts models are protected against insolvency in accordance with section 8a of the German Pre-Retirement Part-Time Employment Act (AltTZG) by means of a fixed liability guarantee from a German commercial bank.

The **other provisions** and the **provisions for taxes** are recognized in the amount that is necessary to settle the obligation according to prudent business practice. A **long-service provision** was recognized in the year under review for long-service awards to be paid to employees. The provision was calculated using the projected unit credit method taking into account death rates in accordance with the 2005G mortality tables published by Professor Klaus Heubeck and applying a discount rate of 3.89 percent. The calculation also included staff turnover at an average rate of 1.5 percent and salary increases at a rate of 2.5 percent. The earliest possible pension age under the German Pension Age Reform Act (RVAGAnpG) was selected as the final age.

28 **Deposits received from reinsurers** and **other liabilities** are recognized at their settlement value.

29 The **liabilities from direct insurance business** and **liabilities from reinsurance business** are valued at their settlement value (nominal amount).

30 **Liabilities to banks** predominantly arise in respect of the real estate development business and have a residual maturity of less than five years. They are valued at their settlement value and are collateralized in an amount of €32,280,674.42 (December 31, 2014: €25,283,008.22) by mortgages on the land held for sale, by assignments of the purchase price, and by the pledging of bank accounts.

**Liabilities with a residual maturity of more than five years** consisting of life insurance premium deposits amounted to € 833,563.61 (December 31, 2014: € 1,066,663.09).

31 **Deferred income and accrued expenses** contain differences pursuant to section 341c (2) sentence 1 HGB of € 14,079,205.28 (December 31, 2014: € 14,629,124.41).

### 32 Consolidated equity

Consolidated equity is presented in detail on pages 96 and 97 in accordance with GAS 7. Equity generated from Group earnings is shown as the portion of consolidated equity recognized from net profit for the reporting year or earlier financial years. It comprises revenue reserves, the profit or loss carried forward, and net income for the year and is broken down into controlling interests and non-controlling interests that have a direct or indirect equity investment in the subsidiaries included in the consolidated financial statements.

Changes in the Group's equity during the financial year that, according to commercial-law accounting principles and the rules of the German Accounting Standards Committee (GASC), must not be recognized in the income statement and that do not relate to incoming and outgoing payments at the level of the shareholders are shown in other comprehensive income.

The subscribed capital of the Group's parent company amounts to € 200,000,000.00. It is divided into 200,000 no-par-value shares. All of the shares are registered.

The subscribed capital is fully paid up.

### Associates

The total goodwill arising on the consolidation of associates using the equity method amounted to €0.00 as of December 31, 2015 (December 31, 2014: €0.00). Accordingly, no amortization or write-downs were recognized on the goodwill of associates in 2015.

**The financial statements of the sole associate can be summarized as follows:**

#### AXA-ARAG Rechtsschutzversicherung

| *(CHF '000)* | **2015** | **2014** |
|---|---|---|
| A. Investments | 209,536 | 212,885 |
| B. Receivables | 4,159 | 3,398 |
| C. Other assets | 25,286 | 12,576 |
| D. Prepaid expenses and accrued income | –6,140 | –461 |
| **Total assets as of Dec. 31** | **232,841** | **228,399** |
| A. Equity | 47,155 | 45,416 |
| B. Technical provisions | 167,146 | 159,584 |
| C. Other provisions | 3,711 | 3,557 |
| D. Liabilities | –1,130 | 4,774 |
| E. Deferred income and accrued expenses | 15,959 | 15,067 |
| **Total equity and liabilities as of Dec. 31** | **232,841** | **228,398** |
| I. Underwriting result | 13,070 | 9,695 |
| II. Gains and losses on investments | 3,563 | 6,906 |
| III. Other net income/expense | –495 | –61 |
| IV. Tax expense | –3,399 | –3,527 |
| **Net income for the year** | **12,739** | **13,013** |

## 33 II. Source of Insurance Business by Premiums Written

| Country/source | Direct insurance business | | | | Inward reinsurance business | | Total business |
|---|---|---|---|---|---|---|---|
| *(€'000)* | **Legal insurance** | **Casualty and property insurance** | **Health insurance** | **Life insurance** | **Legal insurance** | **Casualty and property insurance** | |
| Germany | 308,945 | 196,998 | 347,450 | 220,263 | | 192 | 1,073,848 |
| Netherlands | 86,167 | | | | 47,393 | | 133,560 |
| Austria | 56,575 | | | | | | 56,575 |
| USA | 73,740 | | | | 6,733 | | 80,473 |
| Spain | 46,244 | 37,658 | | | 17,196 | 7,439 | 108,537 |
| Italy | 24,984 | 4,572 | | | 77,171 | – 300 | 106,427 |
| Belgium | 22,842 | | | | 484 | | 23,326 |
| Norway | 39,546 | | | | | | 39,546 |
| Greece | 4,578 | | | | 422 | | 5,000 |
| Slovenia | 2,013 | | | | | | 2,013 |
| Portugal | 400 | 89 | | | 2 | | 491 |
| Sweden | 4,664 | | | | | | 4,664 |
| UK | | | | | 21,598 | | 21,598 |
| **Total** | **670,698** | **239,317** | **347,450** | **220,263** | **170,999** | **7,331** | **1,656,058** |

# 34 III. Change in Asset Items B., C. I. to IV. in 2015

## Change in asset items

| (€'000) | Carrying amount as of Jan. 1, 2015 | Additions | Additions/ disposals in basis of consolidation | Reclassifications |
|---|---|---|---|---|
| **B. Intangible assets** | | | | |
| 1. Purchased goodwill | 22,990 | 0 | 0 | 0 |
| 2. Other intangible assets | 9,328 | 8,759 | 0 | 0 |
| **Total for B.** | **32,318** | **8,759** | **0** | **0** |
| **C. I. Land, land rights and buildings, including buildings on third-party land** | **219,614** | **30,637** | **0** | **0** |
| **C. II. Investments in affiliated companies and equity investments** | | | | |
| 1. Shares in affiliated companies | 3,087 | 500 | 0 | 0 |
| 2. Lending to affiliated companies | 221 | 0 | 0 | 0 |
| 3. Equity investments | 32,284 | 3,420 | 0 | 0 |
| 4. Lending to long-term investees and investors | 0 | 0 | 0 | 0 |
| **Total for C. II.** | **35,592** | **3,920** | **0** | **0** |
| **C. III. Other investments** | | | | |
| 1. Equities, investment fund shares/units, and other variable-yield securities | 2,181,292 | 237,766 | 0 | –1 |
| 2. Bearer bonds and other fixed-income securities | 1,433,454 | 285,861 | 0 | 1 |
| 3. Loans secured by mortgages or land charges and fixed-income receivables | 130,620 | 364 | 0 | 0 |
| 4. Other lending | | | | |
| a) Registered bonds | 975,056 | 105,000 | 0 | 0 |
| b) Promissory notes and loans | 650,813 | 51,070 | 0 | 0 |
| c) Loans and prepayments for certificates of insurance | 54,386 | 3,330 | 0 | 0 |
| d) Other lending | 9,420 | 28 | 0 | 0 |
| 5. Bank deposits | 231,286 | 0 | 0 | 0 |
| 6. Other investments | 22,452 | 8,307 | 0 | 0 |
| **Total for C. III.** | **5,688,779** | **691,726** | **0** | **0** |
| **Total for C. I. to C. III.** | **5,943,985** | **726,283** | **0** | **0** |
| **C. IV. Deposits with ceding insurers** | **30,349** | **23,681** | **0** | **0** |
| **Total for investments C. I. to C. IV.** | **5,974,334** | **749,964** | **0** | **0** |

Land, land rights and buildings on third-party land with a carrying amount of €138,501,054.87 are used for the business operations of the Group's insurance companies.

| Disposals | Exchange-rate adjustments | Reversals of write-downs | Write-downs | Carrying amount as of Dec. 31, 2015 | Fair value pursuant to sec. 54 RechVersV | Hidden reserves |
|---|---|---|---|---|---|---|
| | | | | | | |
| 0 | 226 | 0 | 3,410 | 19,806 | | |
| 751 | 0 | 0 | 4,846 | 12,490 | | |
| **751** | **226** | **0** | **8,256** | **32,296** | | |
| **1,204** | **0** | **0** | **5,824** | **243,223** | **361,413** | **118,190** |
| | | | | | | |
| 120 | 0 | 184 | 10 | 3,641 | 4,755 | 1,114 |
| 0 | 0 | 0 | 0 | 221 | 221 | 0 |
| 8,617 | 1,178 | 3,691 | 81 | 31,875 | 60,883 | 29,008 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **8,737** | **1,178** | **3,875** | **91** | **35,737** | **65,859** | **30,122** |
| | | | | | | |
| 47,545 | 564 | 658 | 42,268 | 2,330,466 | 2,398,992 | 68,526 |
| 287,943 | 3,027 | 533 | 6,884 | 1,428,049 | 1,566,470 | 138,421 |
| 16,867 | 0 | 0 | 0 | 114,117 | 124,947 | 10,830 |
| | | | | | | |
| 30,000 | 0 | 0 | 0 | 1,050,056 | 1,273,596 | 223,540 |
| 54,957 | 0 | 4,173 | 0 | 651,099 | 746,806 | 95,707 |
| 8,665 | 0 | 0 | 0 | 49,051 | 49,051 | 0 |
| 5,069 | 0 | 0 | 0 | 4,379 | 4,379 | 0 |
| 77,576 | 1,379 | 0 | 0 | 155,089 | 155,089 | 0 |
| 4,920 | 0 | 0 | 0 | 25,839 | 31,303 | 5,464 |
| **533,542** | **4,970** | **5,364** | **49,152** | **5,808,145** | **6,350,632** | **542,488** |
| **543,483** | **6,148** | **9,239** | **55,067** | **6,087,105** | **6,777,904** | **690,800** |
| **17,881** | **0** | **0** | **0** | **36,149** | **36,149** | **0** |
| **561,364** | **6,148** | **9,239** | **55,067** | **6,123,254** | **6,814,053** | **690,800** |

# IV. Other Disclosures

### Investment fund disclosures

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

**Institutional funds**

| Name | Type of fund | Investment objective | Carrying amount Dec. 31, 2015 | Market value Dec. 31, 2015 | Difference | Dividend in 2015 | Redemp-tion |
|---|---|---|---|---|---|---|---|
| | | | (€) | (€) | (€) | (€) | |
| ADRERENT | Fixed-income fund | Increased income | 73,719,524.67 | 76,415,900.25 | 2,696,375.58 | 1,268,547.30 | Anytime |
| ATRI | Fixed-income fund | Increased income | 147,148,496.02 | 146,040,987.68 | –1,107,508.34 | 2,885,027.14 | Anytime |
| ARRE | Mixed fund | Increased income | 237,652,522.91 | 249,346,082.37 | 11,693,559.46 | 10,565,153.51 | Anytime |
| ARI 1 | Fixed-income fund | Increased income | 248,605,899.61 | 244,808,116.15 | –3,797,783.46 | 10,724,118.04 | Anytime |
| ALLTRIRENT | Fixed-income fund | Increased income | 66,044,603.03 | 73,554,284.44 | 7,509,681.41 | 1,644,028.40 | Anytime |
| ALLTRI | Mixed fund | Increased income | 123,681,904.29 | 144,724,366.11 | 21,042,461.82 | 3,921,236.12 | Anytime |
| ADZ | Fixed-income fund | Increased income | 116,992,470.74 | 115,836,126.37 | –1,156,344.37 | 5,911,013.88 | Anytime |
| EMA | Equity fund | Increased income | 49,283,915.01 | 49,283,915.01 | 0.00 | 1,433,385.94 | Anytime |
| AKR | Fixed-income fund | Increased income | 253,293,831.45 | 254,572,102.81 | 1,278,271.36 | 6,732,432.00 | Anytime |
| BORGIA | Fixed-income fund | Increased income | 201,973,687.33 | 199,452,486.52 | –2,521,200.81 | 5,686,835.21 | Anytime |
| ALP | Fixed-income fund | Increased income | 107,936,113.71 | 106,433,593.58 | –1,502,520.13 | 4,045,091.88 | Anytime |
| ALF 1 | Mixed fund | Increased income | 158,245,005.60 | 157,112,471.27 | –1,132,534.33 | 5,754,490.85 | Anytime |
| ALM | Fixed-income fund | Increased income | 202,794,061.45 | 201,302,759.08 | –1,491,302.37 | 4,258,379.90 | Anytime |
| AAF | Equity fund | Increased income | 112,965,140.62 | 120,083,212.19 | 7,118,071.57 | 11,021,122.63 | Anytime |
| VM Sterntaler | Mixed fund | Increased income | 4,938,732.00 | 6,543,018.00 | 1,604,286.00 | 100,362.90 | Anytime |
| SIVE Fonds INKA | Equity fund | Increased income | 97,233,560.90 | 116,477,168.69 | 19,243,607.79 | 3,826,993.14 | Anytime |
| | | | **2,202,509,469.34** | **2,261,986,590.52** | **59,477,121.18** | **79,778,218.84** | |

The investment objectives of the funds – which can be traded ahead of a stock market trading day – are based on the relevant benchmarks derived from the strategic investment structure. The Group made use of the option to choose the discretionary principle of lower of cost or market value in accordance with section 341b (2) second half-sentence HGB for those institutional funds that are intended to be used permanently as part of the working capital of the Group. The carrying amount of these funds was €2,197,570,737.34 (December 31, 2014: €2,092,336,171.55) and the market price €2,255,443,572.52 (December 31, 2014: €2,165,367,140.91). By classifying the listed funds as fixed assets, hidden liabilities of €12,709,193.81 were created (December 31, 2014: €0.00).

Reversals of write-downs pursuant to section 253 (5) HGB were recognized on these funds in an amount of €513,833.04 in 2015 (2014: €35,664,769.04).
Due to the high level of volatility in the capital markets, BaFin and the German Insurance Association (GDV) jointly specify the principles for determining the fair value pursuant to section 253 (3) sentence 3 HGB. These principles are followed when valuing fixed assets in accordance with the requirements.

## 35 Deferred taxes disclosures

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

### Balance sheet items

| (€'000) | Deferred taxes as of Dec. 31, 2015 | Deferred taxes as of Dec. 31, 2014 |
|---|---|---|
| Intangible assets | 475 | 532 |
| Investments | 7,850 | 5,299 |
| Receivables | 2,002 | 1,330 |
| Other assets | 380 | 565 |
| Prepaid expenses and accrued income | – 147 | – 113 |
| Special tax-allowable reserve | 0 | 100 |
| Technical provisions | 33,712 | 32,290 |
| Other provisions | 7,001 | 12,261 |
| Other liabilities | – 4,543 | 0 |
| Deferred income and accrued expenses | 0 | 0 |
| Loss carryforwards | 0 | 0 |
| | **46,730** | **52,264** |

Differences that would not be accompanied by sufficient taxable income at the time of their probable reversal or would not be offset by countervailing effects in deferred taxes are capped. In addition, individual markdowns are recognized to reflect the uncertainty of the impact on current taxes at the time of reversal.

## 36 Unrealized gains on investments

The amount shown is the difference between the fair values at the start (or the cost) and the fair values at the end of the financial year of the investments for the account and at the risk of life insurance policyholders. A corresponding expense is contained in 'Change in other net technical provisions'.

## 37 Net extraordinary income/expense

The extraordinary income and expenses arise as a result of applying the transitional provisions of the BilMoG dated May 25, 2009 in section 67 (1) EGHGB for the valuation of defined benefit obligations and pre-retirement part-time working obligations.

## 38 Income taxes

The breakdown of income taxes in the income statement is as follows:

### Income taxes

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | (%) | (€) | (%) | (€) |
| Profit before tax (HGB financial statements) | | 66,467,425.37 | | 84,209,205.19 |
| **Expected income tax expense based on tax rate** | 31.2 | **20,737,836.71** | 31.2 | **26,294,324.32** |
| Current taxes | | 30,149,766.76 | | 38,800,486.13 |
| Deferred taxes | | 5,534,051.07 | | –3,325,803.81 |
| **Reported income tax expense** | | **35,683,817.83** | | **35,474,682.32** |
| Effective tax rate | 53.68 | | 42.13 | |
| Other taxes | | 1,556,283.66 | | 1,480,776.15 |
| **Tax expense reported in the income statement** | | **37,240,101.49** | | **36,955,458.47** |

The discrepancy between the expected and effective tax expense essentially results from tax-exempt income and non-deductible expenses, the non-taxable net losses for the year of some Group companies, and the change in temporary differences relating to investments and provisions.

**Other financial commitments pursuant to section 285 no. 3 HGB**

In the area of real estate development, financial commitments arise from construction contracts concluded as part of current business operations for buildings under construction and from real estate purchase agreements. These commitments amounted to €7,205,198.01 as of December 31, 2015 (December 31, 2014: €10,721,917.48). There are also guarantee obligations to customers in connection with real estate development business, for which an appropriate provision has been recognized.

Rental and leasing agreements with varying terms for premises, vehicles, and office equipment as well as for the hardware and software used in a data center that have been concluded outside the insurance business give rise to total annual obligations that are of a standard magnitude for the industry.

The following unpaid contributions in respect of equity investments are attributable to the Group:

**Unpaid contributions**

| Name of company | (€) |
|---|---|
| INVESCO Beteiligungsverwaltungs GmbH & Co. KG | 243,380.86 |
| RREEF Pan European Infrastructure Feeder GmbH & Co. KG | 667,216.35 |
| ACF V Growth Buy-out Europe GmbH & Co. KG | 3,729,000.00 |
| ACF VI Growth Buy-out Europe GmbH & Co. KG | 7,746,000.00 |
| AXA LBO Fund V Core | 805,095.96 |
| AXA LBO Fund V Supplementary | 340,795.00 |
| PAI Europe IV – Global SCSp | 6,926,670.00 |
| Bridgepoint Europe V | 5,000,000.00 |
| FOYER-ARAG S. A., Luxembourg | 24,788.00 |

None of the unpaid contributions have been called up. It would be reasonable to expect contributions to be called up by the investment funds (infrastructure and private-equity funds) in the near future. The other unpaid contributions will not be called up for the time being.

**Contingent liabilities**

In accordance with section 124 et seq. VAG (version prior to the most recent amendment), the Group is a member of the protection fund for life insurers. On the basis of the German Regulation on the Financing of the Protection Fund for Life Insurers (SichLVFinV), the protection fund collects annual contributions of a maximum of 0.02 percent of the total net technical provisions until protection fund assets of 0.1 percent of the total net technical provisions have been reached. This does not create future obligations. The protection fund can also collect special contributions of a further 0.1 percent of the total net technical provisions, which equates to an obligation of €3,562,128.90 (December 31, 2014: €3,391,622.75). In addition, the Company has undertaken to provide the protection fund or, alternatively, Protektor Lebensversicherungs-AG with funding in the event that the protection fund's resources are not sufficient when restructuring is required. The obligation amounts to 1 percent of the total net technical provisions, taking into account the contributions already paid into the protection fund by that date. Including the above-mentioned obligations to make payments into the protection fund in relation to contributions, the total obligation as of the balance sheet date was €32,059,160.10 (December 31, 2014: €33,916,227.50).
Also in accordance with section 124 et seq. VAG (version prior to the most recent amendment), the Group is a member of the protection fund for health insurers. This protection fund can collect special contributions up to a maximum of 0.2 percent of the total net technical provisions for health insurance, which amounted to €3,300,000.00 as of the reporting date (December 31, 2014: €3,043,176.88).

**Auditor fees**

The auditor of the consolidated financial statements is PricewaterhouseCoopers AG, Düsseldorf branch. The Group companies incurred expenses for auditor fees of €548,000.00 (2014: €554,000.00), plus €280,000.00 (2014: €280,000.00) for the audit of ARAG SE's branches. The expense for other consultancy or advisory services totaled €258,088.92 (2014: €154,800.00). Tax consultancy fees of €32,582.82 were paid (2014: €40,663.25). A standard amount of out-of-pocket expenses was reimbursed on top of the fees. As there is no entitlement to offset input VAT, the VAT on the auditor fees and out-of-pocket expenses is also recognized as an additional expense.

## 39 Expenses for bonuses and rebates for own account

| (€) | 2015 | 2014 |
|---|---|---|
| Expenses for performance-based bonuses and rebates | 57,600,293.78 | 62,930,566.99 |
| Expenses for non-performance-based bonuses and rebates | 35,032.24 | 1,316,340.66 |
| **Total expenses** | **57,635,326.02** | **64,246,907.65** |

## Commissions and other remuneration for insurance agents, staff costs

| (€) | 2015 | 2014 |
|---|---|---|
| 1. Commissions of all types for insurance agents within the meaning of section 92 HGB for direct insurance business | 233,372,206.26 | 233,006,565.14 |
| 2. Other remuneration for insurance agents within the meaning of section 92 HGB | 17,374,773.42 | 15,107,257.36 |
| 3. Wages and salaries | 233,141,209.35 | 217,674,512.32 |
| 4. Social security and other employee benefit expenses | 37,652,695.78 | 34,551,583.17 |
| 5. Pension and other post-employment benefit expenses | 30,976,499.53 | 22,360,564.80 |
| **6. Total expenses** | **552,517,384.34** | **522,700,482.79** |

**Average number of employees in 2015**

The Group's fully consolidated entities employed an average of 3,757 people in 2015 (2014: 3,667). As of December 31, 2015, the Group had a total of 3,870 employees (December 31, 2014: 3,713).

The insurance companies employed an average of 3,305 people (2014: 3,244). The average number of people employed by all of the administrative entities and service companies was 511 (2014: 438). In the German Group companies, an additional nine people were employed for the purpose of vocational training (2014: eleven).

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

The expense for Supervisory Board remuneration in all Group companies came to €315,791.15.

The remuneration for the members of the parent company's Management Board from all Group companies amounted to €1,653,035.70. There are no current pensions or vested pension entitlements for former members of the Management Board and their surviving dependants.

Düsseldorf, April 26, 2016

The Management Board

Dr. Dr. h. c. Paul-Otto Faßbender    Dr. Karl-Heinz Strohe    Dr. Sven Wolf

# Consolidated Cash Flow Statement for 2015

## Cash flow statement

| (€) | 2015 | 2014 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | 29,227,324 | 47,253,747 |
| Increase (+)/decrease (–) in technical provisions, net | 215,299,677 | 257,725,427 |
| Increase (–)/decrease (+) in deposits with ceding insurers and in receivables from reinsurance business | – 16,448,585 | – 8,331,530 |
| Increase (+)/decrease (–) in deposits from reinsurers and liabilities from reinsurance business | – 3,346,205 | – 5,155,848 |
| Increase (–)/decrease (+) in receivables from direct insurance business | 13,107,328 | – 3,602,990 |
| Increase (+)/decrease (–) in liabilities from direct insurance business | – 4,090,040 | – 375,056 |
| Increase (–)/decrease (+) in other receivables | – 3,549,031 | 3,175,960 |
| Increase (+)/decrease (–) in other liabilities | 2,524,420 | – 15,072,732 |
| Change in other balance sheet items not related to investing or financing activities | – 145,439,896 | – 223,344,583 |
| Other non-cash income and expenses, and adjustment of the profit for the period | 47,921,711 | – 34,632,009 |
| Gain (–)/loss (+) on the disposal of investments, property and equipment, and intangible fixed assets | – 39,120,877 | – 29,092,321 |
| Expenses for/income from extraordinary items | 266,844 | 266,844 |
| Income tax expense/income | 30,149,767 | 38,800,486 |
| Cash receipts from extraordinary items | 0 | 0 |
| Cash payments for extraordinary items | 0 | 0 |
| Income taxes paid | – 35,494,866 | – 33,044,939 |
| **Cash flows from operating activities** | **91,007,571** | **– 5,429,545** |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property and equipment | 1,098,724 | 7,044,718 |
| Proceeds from disposal of intangible fixed assets | 745,993 | 26,245 |
| Payments to acquire property and equipment | – 7,186,656 | – 11,292,035 |
| Payments to acquire intangible fixed assets | – 8,759,187 | – 4,549,880 |
| Proceeds from disposal of investments related to fund-linked life insurance | 0 | 0 |
| Payments to acquire investments related to fund-linked life insurance | 0 | 0 |
| Cash receipts from extraordinary items | 0 | 0 |
| Cash payments for extraordinary items | 0 | 0 |
| **Cash flows from investing activities** | **– 14,101,126** | **– 8,770,952** |
| **Cash flows from financing activities** | | |
| Proceeds from capital contributions by shareholders | 0 | 0 |
| Cash payments to shareholders from the redemption of shares | 0 | 0 |
| Cash receipts from extraordinary items | 0 | 0 |
| Cash payments for extraordinary items | 0 | 0 |
| Dividends paid | – 10,000,000 | – 10,000,000 |
| Proceeds (+)/cash payments (–) related to other financing activities | – 50,000,000 | 30,000,000 |
| **Cash flows from financing activities** | **– 60,000,000** | **20,000,000** |
| Net change in cash funds | 16,906,445 | 5,799,503 |
| Effect on cash funds of exchange rate movements and remeasurements | 0 | 0 |
| Cash funds at beginning of period | 138,405,571 | 132,606,068 |
| **Cash funds at end of period** | **155,312,016** | **138,405,571** |

# 40 Statement of Changes in Equity

## Changes in the reporting year

| (€) | Subscribed capital | Uncalled unpaid contributions | Equity generated from Group earnings* | Adjustment items relating to currency translation | Equity reported on the consolidated balance sheet |
|---|---|---|---|---|---|
| **I. Parent company** | | | | | |
| Balance as of Dec. 31, 2014 | 200,000,000.00 | 0.00 | 189,038,471.21 | 4,488,483.88 | 393,526,955.09 |
| Issue of shares | | | | | 0.00 |
| Acquisition/retirement of treasury shares | | | | | 0.00 |
| Dividends paid | | | – 10,000,000.00 | | – 10,000,000.00 |
| Changes in the basis of consolidation | | | 0.00 | | 0.00 |
| Other changes | | | – 0.01 | 6,714,496.32 | 6,714,496.31 |
| Net income for the year | | | 29,261,267.45 | | 29,261,267.45 |
| Other comprehensive income | | | | | 0.00 |
| Total comprehensive income | | | 29,261,267.45 | 0.00 | 29,261,267.45 |
| **Balance as of Dec. 31, 2015** | **200,000,000.00** | **0.00** | **208,299,738.65** | **11,202,980.20** | **419,502,718.85** |
| **II. Non-controlling interests** | | | | | |
| Balance as of Dec. 31, 2014 | 0.00 | 0.00 | 7,069,082.51 | 27,894.68 | 7,096,977.19 |
| Issue of shares | | | | | 0.00 |
| Acquisition/retirement of treasury shares | | | | | 0.00 |
| Dividends paid | | | – 173,901.71 | | – 173,901.71 |
| Changes in the basis of consolidation | | | 0.00 | | 0.00 |
| Other changes | | | 105,000.00 | 0.00 | 105,000.00 |
| Net income for the year | | | – 33,943.57 | | – 33,943.57 |
| Other comprehensive income | | | | | 0.00 |
| Total comprehensive income | | | – 33,943.57 | 0.00 | – 33,943.57 |
| **Balance as of Dec. 31, 2015** | **0.00** | **0.00** | **6,966,237.23** | **27,894.68** | **6,994,131.91** |
| **III. Consolidated equity** | | | | | |
| Balance as of Dec. 31, 2014 | 200,000,000.00 | 0.00 | 196,107,553.72 | 4,516,378.56 | 400,623,932.28 |
| Issue of shares | | | | | 0.00 |
| Acquisition/retirement of treasury shares | | | | | 0.00 |
| Dividends paid | | | – 10,173,901.71 | | – 10,173,901.71 |
| Changes in the basis of consolidation | | | 0.00 | | 0.00 |
| Other changes | | | 104,999.99 | 6,714,496.32 | 6,819,496.31 |
| Net income for the year | | | 29,227,323.88 | | 29,227,323.88 |
| Other comprehensive income | | | | 0.00 | 0.00 |
| Total comprehensive income | | | 29,227,323.88 | 0.00 | 29,227,323.88 |
| **Balance as of Dec. 31, 2015** | **200,000,000.00** | **0.00** | **215,265,975.88*** | **11,230,874.88** | **426,496,850.76** |

* of which amount prohibited by law from being distributed: € 58,541,782.97 (2014: € 63,695,028.04)

## Changes in the previous year

| (€) | Subscribed capital | Uncalled unpaid contributions | Equity generated from Group earnings* | Adjustment items relating to currency translation | Equity reported on the consolidated balance sheet |
|---|---|---|---|---|---|
| **I. Parent company** | | | | | |
| Balance as of Dec. 31, 2013 | 200,000,000.00 | 0.00 | 162,289,939.36 | –935,199.93 | 361,354,739.43 |
| Issue of shares | | | | | 0.00 |
| Acquisition/retirement of treasury shares | | | | | 0.00 |
| Dividends paid | | | –10,000,000.00 | | –10,000,000.00 |
| Changes in the basis of consolidation | | | 0.00 | | 0.00 |
| Other changes | | | –8,471,921.38 | 5,423,683.81 | –3,048,237.57 |
| Net income for the year | | | 45,220,453.23 | | 45,220,453.23 |
| Other comprehensive income | | | | | 0.00 |
| Total comprehensive income | | | 45,220,453.23 | 0.00 | 45,220,453.23 |
| **Balance as of Dec. 31, 2014** | **200,000,000.00** | **0.00** | **189,038,471.21** | **4,488,483.88** | **393,526,955.09** |
| **II. Non-controlling interests** | | | | | |
| Balance as of Dec. 31, 2013 | 0.00 | 0.00 | 32,731,231.37 | 27,363.66 | 32,758,595.03 |
| Issue of shares | | | | | 0.00 |
| Acquisition/retirement of treasury shares | | | | | 0.00 |
| Dividends paid | | | –555,495.69 | | –555,495.69 |
| Changes in the basis of consolidation | | | 0.00 | | 0.00 |
| Other changes | | | –27,139,946.66 | 531.02 | –27,139,415.64 |
| Net income for the year | | | 2,033,293.49 | | 2,033,293.49 |
| Other comprehensive income | | | | | 0.00 |
| Total comprehensive income | | | 2,033,293.49 | 0.00 | 2,033,293.49 |
| **Balance as of Dec. 31, 2014** | **0.00** | **0.00** | **7,069,082.51** | **27,894.68** | **7,096,977.19** |
| **III. Consolidated equity** | | | | | |
| Balance as of Dec. 31, 2013 | 200,000,000.00 | 0.00 | 195,021,170.73 | –907,836.27 | 394,113,334.46 |
| Issue of shares | | | | | 0.00 |
| Acquisition/retirement of treasury shares | | | | | 0.00 |
| Dividends paid | | | –10,555,495.69 | | –10,555,495.69 |
| Changes in the basis of consolidation | | | 0.00 | | 0.00 |
| Other changes | | | –35,611,868.04 | 5,424,214.83 | –30,187,653.21 |
| Net income for the year | | | 47,253,746.72 | | 47,253,746.72 |
| Other comprehensive income | | | | 0.00 | 0.00 |
| Total comprehensive income | | | 47,253,746.72 | 0.00 | 47,253,746.72 |
| **Balance as of Dec. 31, 2014** | **200,000,000.00** | **0.00** | **196,107,553.72** | **4,516,378.56** | **400,623,932.28** |

## Segment Reporting – Balance Sheet

| (€'000) | Legal insurance | | Casualty and property insurance | | Health insurance | |
|---|---|---|---|---|---|---|
| | Dec. 31, 2015 | Dec. 31, 2014 | Dec. 31, 2015 | Dec. 31, 2014 | Dec. 31, 2015 | Dec. 31, 2014 |
| **A. Intangible assets** | **11,150** | **8,506** | **410** | **0** | **92** | **73** |
| **B. Investments** | **1,785,530** | **1,867,832** | **422,848** | **435,867** | **1,701,740** | **1,555,272** |
| I. Land and buildings, including buildings on third-party land | 73,482 | 66,627 | 30,627 | 37,124 | 30,657 | 7,500 |
| II. Investments in affiliated companies and equity investments | 279,062 | 356,564 | 33,479 | 36,182 | 6,960 | 7,787 |
| III. Other investments | 1,400,491 | 1,416,272 | 355,089 | 360,581 | 1,664,122 | 1,539,984 |
| IV. Deposits with ceding insurers | 32,496 | 28,369 | 3,653 | 1,980 | 0 | 0 |
| **C. Investments for the account and at the risk of life insurance policyholders** | **0** | **0** | **0** | **0** | **0** | **0** |
| **D. Other segment assets** | **312,275** | **298,313** | **23,961** | **22,872** | **42,431** | **42,599** |
| **Total segment assets** | **2,108,956** | **2,174,651** | **447,218** | **458,739** | **1,744,263** | **1,597,944** |
| | | | | | | |
| **A. Technical provisions** | **1,292,947** | **1,260,267** | **293,757** | **292,818** | **1,662,374** | **1,521,588** |
| I. Unearned premiums | 194,633 | 177,222 | 40,528 | 39,424 | 13,979 | 13,421 |
| II. Actuarial reserve | 0 | 0 | 4 | 7 | 1,405,291 | 1,284,098 |
| III. Provision for outstanding claims | 1,096,831 | 1,082,971 | 219,335 | 224,292 | 51,006 | 52,199 |
| IV. Provision for bonuses and rebates | 0 | 0 | 0 | 0 | 191,841 | 171,485 |
| V. Equalization provision | 1,486 | 0 | 64,333 | 60,036 | 0 | 0 |
| VI. Other technical provisions | 2,347 | 2,198 | 2,180 | 1,940 | 257 | 385 |
| VII. Reinsurers' share of technical provisions | –2,350 | –2,125 | –32,624 | –32,881 | 0 | 0 |
| **B. Technical provisions in the life insurance business where the investment risk is borne by the policyholders** | **0** | **0** | **0** | **0** | **0** | **0** |
| **C. Other segment liabilities** | **332,307** | **387,114** | **50,973** | **48,303** | **22,630** | **24,330** |
| **Total segment liabilities** | **1,625,254** | **1,647,381** | **344,730** | **341,121** | **1,685,004** | **1,545,918** |
| | | | | | | |
| **Equity*** | | | | | | |
| **Total equity and liabilities** | | | | | | |

* Consolidated equity including non-controlling interests and goodwill arising on consolidation

The segment reporting was largely adapted to German accounting standard GAS 3-20 of the German Accounting Standards Board (GASB). The segment data is presented after consolidation of internal transactions within each business line. Reconciliation with the figure for the Group is based on the amounts stated in the 'Consolidation' column.

The segmentation follows the internal organizational and management structure of the ARAG Group, which is based on strategic business lines. The segments chosen reflect the Group's risks and opportunities.

The strategic business lines are:

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

| Life insurance | | Services and asset management | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|---|
| **Dec. 31, 2015** | **Dec. 31, 2014** | **Dec. 31, 2015** | **Dec. 31, 2014** | **Dec. 31, 2015** | **Dec. 31, 2014** | **Dec. 31, 2015** | **Dec. 31, 2014** | **Dec. 31, 2015** | **Dec. 31, 2014** |
| **91** | **80** | **2,718** | **2,693** | **14,461** | **11,352** | **17,834** | **20,967** | **32,296** | **32,319** |
| **2,553,446** | **2,560,491** | **398,972** | **366,430** | **6,862,536** | **6,785,892** | **–739,282** | **–811,557** | **6,123,255** | **5,974,334** |
| 104,404 | 99,271 | 7,071 | 9,090 | 246,241 | 219,614 | –3,019 | 0 | 243,222 | 219,614 |
| 91,089 | 129,024 | 361,411 | 317,593 | 772,000 | 847,149 | –736,263 | –811,557 | 35,738 | 35,592 |
| 2,357,953 | 2,332,196 | 30,490 | 39,747 | 5,808,146 | 5,688,780 | 0 | 0 | 5,808,146 | 5,688,780 |
| 0 | 0 | 0 | 0 | 36,149 | 30,349 | 0 | 0 | 36,149 | 30,349 |
| **298,942** | **269,242** | **0** | **0** | **298,942** | **269,242** | **0** | **0** | **298,942** | **269,242** |
| **91,476** | **117,252** | **142,675** | **118,896** | **612,819** | **599,933** | **15,059** | **17,502** | **627,878** | **617,435** |
| **2,943,955** | **2,947,065** | **544,366** | **488,020** | **7,788,758** | **7,666,418** | **–706,388** | **–773,088** | **7,082,370** | **6,893,330** |
| **2,472,868** | **2,461,673** | **0** | **0** | **5,721,946** | **5,536,346** | **0** | **0** | **5,721,946** | **5,536,346** |
| 4,072 | 4,427 | 0 | 0 | 253,212 | 234,494 | 0 | 0 | 253,212 | 234,494 |
| 2,355,573 | 2,335,491 | 0 | 0 | 3,760,868 | 3,619,596 | 0 | 0 | 3,760,868 | 3,619,596 |
| 23,824 | 23,104 | 0 | 0 | 1,390,997 | 1,382,567 | 0 | 0 | 1,390,997 | 1,382,567 |
| 117,392 | 127,249 | 0 | 0 | 309,233 | 298,735 | 0 | 0 | 309,233 | 298,735 |
| 0 | 0 | 0 | 0 | 65,819 | 60,036 | 0 | 0 | 65,819 | 60,036 |
| 12,514 | 12,493 | 0 | 0 | 17,299 | 17,018 | 0 | 0 | 17,299 | 17,018 |
| –40,507 | –41,093 | 0 | 0 | –75,481 | –76,099 | 0 | 0 | –75,481 | –76,099 |
| **298,942** | **269,242** | **0** | **0** | **298,942** | **269,242** | **0** | **0** | **298,942** | **269,242** |
| **118,198** | **123,441** | **110,878** | **103,274** | **634,985** | **686,462** | **0** | **0** | **634,985** | **686,462** |
| **2,890,007** | **2,854,356** | **110,878** | **103,274** | **6,655,873** | **6,492,050** | **0** | **0** | **6,655,873** | **6,492,050** |
| | | | | | | | | | |
| | | | | | | | | **426,497** | **401,280** |
| | | | | | | | | **7,082,370** | **6,893,330** |

The service companies and asset management companies comprise the Group parent company and other intermediate holding companies that manage assets, including, but not limited to, a house-building company, real-estate management companies, IT companies, and service companies that support the insurance business.

The life insurance segment also includes companies that provide services in the life insurance business line but are not insurance companies themselves.

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

# Segment Reporting – Income Statement by Class of Insurance

| (€'000) | Legal insurance | | Casualty and property insurance | | Health insurance | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Underwriting income** | | | | | | |
| **Gross premiums written** | **841,697** | **787,234** | **246,648** | **238,832** | **347,450** | **340,491** |
| Direct insurance business | 670,699 | 628,845 | 239,317 | 231,728 | 347,450 | 340,491 |
| Inward reinsurance business | 170,998 | 158,389 | 7,332 | 7,104 | 0 | 0 |
| Reinsurance premiums ceded | – 3,897 | – 2,798 | – 7,436 | – 8,481 | – 15 | – 15 |
| Change in net unearned premiums | – 7,641 | – 2,259 | – 794 | – 1,438 | – 558 | – 613 |
| **Premiums earned for own account** | **830,158** | **782,177** | **238,418** | **228,913** | **346,878** | **339,863** |
| Premiums from the gross provision for bonuses and rebates | 0 | 0 | 0 | 0 | 23,706 | 9,163 |
| Investment income allocated to the underwriting account | 313 | 0 | 614 | 624 | 63,164 | 64,317 |
| Unrealized gains on investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Other underwriting income for own account | 1,466 | 1,438 | 543 | 566 | 1,487 | 1,145 |
| **Total underwriting income** | **831,938** | **783,615** | **239,575** | **230,103** | **435,235** | **414,487** |
| | | | | | | |
| **Underwriting expenses** | | | | | | |
| Claims incurred net of reinsurance | – 426,774 | – 427,125 | – 125,058 | – 128,418 | – 193,784 | – 191,426 |
| Change in other net technical provisions | – 242 | 2,104 | – 238 | 39 | – 121,065 | – 109,370 |
| Expenses for bonuses and rebates | 0 | 0 | 0 | 0 | – 53,471 | – 51,749 |
| of which performance-based | 0 | 0 | 0 | 0 | – 53,436 | – 50,433 |
| of which non-performance-based | 0 | 0 | 0 | 0 | – 35 | – 1,316 |
| Unrealized losses on investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance business operating expenses | – 367,194 | – 336,069 | – 95,721 | – 92,584 | – 38,089 | – 39,472 |
| of which front-end fees | – 89,263 | – 144,660 | – 29,158 | – 24,065 | – 28,541 | – 29,510 |
| of which administrative expenses | – 279,424 | – 192,302 | – 66,979 | – 69,550 | – 9,554 | – 9,968 |
| of which reinsurers' share | 1,493 | 893 | 416 | 1,031 | 6 | 6 |
| Investment expenses allocated to the underwriting account | 0 | 0 | 0 | 0 | – 12,752 | – 2,854 |
| Other underwriting expenses for own account | – 11 | – 11 | – 1,709 | – 1,489 | – 1,525 | – 1,551 |
| **Total underwriting expenses** | **– 794,221** | **– 761,101** | **– 222,726** | **– 222,451** | **– 420,686** | **– 396,422** |
| | | | | | | |
| **Subtotal** | **37,716** | **22,515** | **16,849** | **7,652** | **14,549** | **18,064** |
| Change in equalization provision and similar provisions | – 1,486 | 0 | – 4,296 | 11,514 | 0 | 0 |
| **Underwriting result for own account** | **36,230** | **22,515** | **12,553** | **19,166** | **14,549** | **18,064** |
| Income from investments | 69,500 | 76,725 | 15,942 | 18,751 | 63,164 | 64,317 |
| Expenses for investments | – 27,401 | – 19,611 | – 6,158 | – 3,822 | – 12,752 | – 2,854 |
| **Gains and losses on investments** | **42,098** | **57,113** | **9,784** | **14,929** | **50,412** | **61,463** |
| Gains and losses on investments assigned to the underwriting account | 0 | 0 | 0 | 0 | – 50,412 | – 61,463 |
| Revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost of sales | 0 | 0 | 0 | 0 | 0 | 0 |
| **Gross profit** | **0** | **0** | **0** | **0** | **0** | **0** |
| Other income | 17,371 | 16,319 | 836 | 1,491 | 499 | 428 |
| Other expenses | – 58,502 | – 52,055 | – 6,697 | – 7,616 | – 3,908 | – 3,014 |
| **Other net income/expense** | **– 41,131** | **– 35,736** | **– 5,861** | **– 6,125** | **– 3,409** | **– 2,586** |
| **Profit/loss from ordinary activities** | **37,198** | **43,892** | **16,476** | **27,971** | **11,139** | **15,479** |
| **Net extraordinary income/expense** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Profit/loss before tax** | **37,198** | **43,892** | **16,476** | **27,971** | **11,139** | **15,479** |
| Tax expense | | | | | | |
| **Net income for the year before non-controlling interests** | | | | | | |
| Non-controlling interests | | | | | | |
| **Net income for the year** | | | | | | |

| Life insurance | | Services and asset management | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|---|
| 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | | | | | | | | | |
| 220,263 | 221,598 | 0 | 0 | 1,656,058 | 1,588,154 | 0 | 0 | 1,656,058 | 1,588,154 |
| 220,263 | 221,598 | 0 | 0 | 1,477,728 | 1,422,662 | 0 | 0 | 1,477,728 | 1,422,662 |
| 0 | 0 | 0 | 0 | 178,330 | 165,493 | 0 | 0 | 178,330 | 165,493 |
| –4,795 | –5,063 | 0 | 0 | –16,143 | –16,356 | 0 | 0 | –16,143 | –16,356 |
| 313 | 119 | 0 | 0 | –8,680 | –4,191 | 0 | 0 | –8,680 | –4,191 |
| 215,781 | 216,654 | 0 | 0 | 1,631,235 | 1,567,607 | 0 | 0 | 1,631,235 | 1,567,607 |
| 3,944 | 5,372 | 0 | 0 | 27,650 | 14,534 | 0 | 0 | 27,650 | 14,534 |
| 142,613 | 149,861 | 0 | 0 | 206,704 | 214,802 | 0 | 0 | 206,704 | 214,802 |
| 9,373 | 21,113 | 0 | 0 | 9,373 | 21,113 | 0 | 0 | 9,373 | 21,113 |
| 5,908 | 4,991 | 0 | 0 | 9,405 | 8,140 | 0 | 0 | 9,405 | 8,140 |
| 377,619 | 397,990 | 0 | 0 | 1,884,367 | 1,826,195 | 0 | 0 | 1,884,367 | 1,826,195 |
| | | | | | | | | | |
| | | | | | | | | | |
| –228,995 | –238,901 | 0 | 0 | –974,611 | –985,869 | 0 | 0 | –974,611 | –985,869 |
| –51,273 | –79,595 | 0 | 0 | –172,818 | –186,822 | 0 | 0 | –172,818 | –186,822 |
| –4,165 | –12,497 | 0 | 0 | –57,635 | –64,247 | 0 | 0 | –57,635 | –64,247 |
| –4,165 | –12,497 | 0 | 0 | –57,600 | –62,931 | 0 | 0 | –57,600 | –62,931 |
| 0 | 0 | 0 | 0 | –35 | –1,316 | 0 | 0 | –35 | –1,316 |
| –1,338 | –926 | 0 | 0 | –1,338 | –926 | 0 | 0 | –1,338 | –926 |
| –29,742 | –43,418 | 0 | 0 | –530,746 | –511,543 | 0 | 0 | –530,746 | –511,543 |
| –21,979 | –37,846 | 0 | 0 | –168,941 | –236,081 | 0 | 0 | –168,941 | –236,081 |
| –7,629 | –7,748 | 0 | 0 | –363,585 | –279,567 | 0 | 0 | –363,585 | –279,567 |
| –135 | 2,176 | 0 | 0 | 1,780 | 4,106 | 0 | 0 | 1,780 | 4,106 |
| –35,026 | –10,354 | 0 | 0 | –47,778 | –13,208 | 0 | 0 | –47,778 | –13,208 |
| –24,302 | –11,455 | 0 | 0 | –27,548 | –14,506 | 0 | 0 | –27,548 | –14,506 |
| –374,841 | –397,146 | 0 | 0 | –1,812,474 | –1,777,120 | 0 | 0 | –1,812,474 | –1,777,120 |
| | | | | | | | | | |
| 2,778 | 844 | 0 | 0 | 71,893 | 49,075 | 0 | 0 | 71,893 | 49,075 |
| 0 | 0 | 0 | 0 | –5,783 | 11,514 | 0 | 0 | –5,783 | 11,514 |
| 2,778 | 844 | 0 | 0 | 66,110 | 60,590 | 0 | 0 | 66,110 | 60,590 |
| 142,613 | 149,861 | 1,193 | 834 | 292,412 | 310,487 | 0 | 0 | 292,412 | 310,487 |
| –35,026 | –10,354 | –405 | –352 | –81,743 | –36,992 | 374 | 0 | –81,370 | –36,992 |
| 107,587 | 139,507 | 788 | 482 | 210,668 | 273,495 | 374 | 0 | 211,042 | 273,495 |
| –107,587 | –139,507 | 0 | 0 | –157,999 | –200,970 | 0 | 0 | –157,999 | –200,970 |
| 0 | 0 | 108,492 | 96,776 | 108,492 | 96,776 | –41,852 | –39,169 | 66,640 | 57,607 |
| 0 | 0 | –103,890 | –90,384 | –103,890 | –90,384 | 41,852 | 39,169 | –62,038 | –51,215 |
| 0 | 0 | 4,602 | 6,392 | 4,602 | 6,392 | 0 | 0 | 4,602 | 6,392 |
| 3,165 | 962 | 1,952 | 1,752 | 23,823 | 20,952 | 657 | 0 | 24,480 | 20,952 |
| –5,066 | –5,766 | –4,207 | –4,399 | –78,380 | –72,849 | –3,120 | –3,133 | –81,501 | –75,982 |
| –1,902 | –4,804 | –2,255 | –2,646 | –54,557 | –51,897 | –2,464 | –3,133 | –57,021 | –55,030 |
| 877 | –3,959 | 3,135 | 4,227 | 68,825 | 87,609 | –2,090 | –3,133 | 66,734 | 84,476 |
| –197 | –197 | –70 | –70 | –267 | –267 | 0 | 0 | –267 | –267 |
| 680 | –4,156 | 3,065 | 4,157 | 68,558 | 87,342 | –2,090 | –3,133 | 66,467 | 84,209 |
| | | | | | | | | –37,240 | –36,955 |
| | | | | | | | | 29,227 | 47,254 |
| | | | | | | | | 34 | –2,033 |
| | | | | | | | | 29,261 | 45,220 |

# Segment Reporting – Income Statement by German and International Business

| (€'000) | German | |
|---|---|---|
| | 2015 | 2014 |
| **Underwriting income** | | |
| **Gross premiums written** | **1,095,468** | **1,067,404** |
| Direct insurance business | 1,073,677 | 1,046,208 |
| Inward reinsurance business | 21,790 | 21,196 |
| Reinsurance premiums ceded | – 12,515 | – 13,281 |
| Change in net unearned premiums | – 4,639 | – 3,115 |
| **Premiums earned for own account** | **1,078,314** | **1,051,009** |
| Premiums from the gross provision for bonuses and rebates | 27,650 | 14,534 |
| Investment income allocated to the underwriting account | 206,390 | 214,802 |
| Unrealized gains on investments | 9,373 | 21,113 |
| Other underwriting income for own account | 9,247 | 7,978 |
| **Total underwriting income** | **1,330,975** | **1,309,436** |
| | | |
| **Underwriting expenses** | | |
| Claims incurred net of reinsurance | – 728,676 | – 740,191 |
| Change in other net technical provisions | – 172,600 | – 188,938 |
| Expenses for bonuses and rebates | – 57,635 | – 64,247 |
| of which performance-based | – 57,600 | – 62,931 |
| of which non-performance-based | – 35 | – 1,316 |
| Unrealized losses on investments | – 1,338 | – 926 |
| Insurance business operating expenses | – 283,908 | – 283,156 |
| of which front-end fees | – 118,231 | – 131,049 |
| of which administrative expenses | – 165,958 | – 155,320 |
| of which reinsurers' share | 281 | 3,213 |
| Investment expenses allocated to the underwriting account | – 47,778 | – 13,208 |
| Other underwriting expenses for own account | – 27,537 | – 14,495 |
| **Total underwriting expenses** | **– 1,319,472** | **– 1,305,160** |
| | | |
| **Subtotal** | **11,503** | **4,276** |
| Change in the equalization provision and similar provisions | – 4,425 | 11,710 |
| **Underwriting result for own account** | **7,078** | **15,985** |
| Income from investments | 265,312 | 270,687 |
| Expenses for investments | – 74,684 | – 31,594 |
| **Gains and losses on investments** | **190,628** | **239,093** |
| Gains and losses on investments assigned to the underwriting account | – 157,999 | – 200,970 |
| Revenue | 108,492 | 96,776 |
| Cost of sales | – 103,890 | – 90,384 |
| **Gross profit** | **4,602** | **6,392** |
| Other income | 21,270 | 17,177 |
| Other expenses | – 71,927 | – 67,794 |
| **Other net income/expense** | **– 50,658** | **– 50,617** |
| **Profit/loss from ordinary activities** | **– 6,349** | **9,883** |
| **Net extraordinary income/expense** | **– 267** | **– 267** |
| **Profit/loss before tax** | **– 6,616** | **9,616** |
| Tax expense | | |
| **Net income for the year before non-controlling interests** | **– 6,616** | **9,616** |
| Non-controlling interests | | |
| **Consolidated net income for the year** | **– 6,616** | **9,616** |

| | International | | Total | | Consolidation | | Group total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | | | | | | | | |
| | **560,590** | **520,751** | **1,656,058** | **1,588,154** | **0** | **0** | **1,656,058** | **1,588,154** |
| | 404,051 | 376,453 | 1,477,728 | 1,422,662 | 0 | 0 | 1,477,728 | 1,422,662 |
| | 156,539 | 144,297 | 178,330 | 165,493 | 0 | 0 | 178,330 | 165,493 |
| | –3,628 | –3,076 | –16,143 | –16,356 | 0 | 0 | –16,143 | –16,356 |
| | –4,041 | –1,077 | –8,680 | –4,191 | 0 | 0 | –8,680 | –4,191 |
| | **552,921** | **516,598** | **1,631,235** | **1,567,607** | **0** | **0** | **1,631,235** | **1,567,607** |
| | 0 | 0 | 27,650 | 14,534 | 0 | 0 | 27,650 | 14,534 |
| | 313 | 0 | 206,704 | 214,802 | 0 | 0 | 206,704 | 214,802 |
| | 0 | 0 | 9,373 | 21,113 | 0 | 0 | 9,373 | 21,113 |
| | 157 | 162 | 9,405 | 8,140 | 0 | 0 | 9,405 | 8,140 |
| | **553,392** | **516,760** | **1,884,367** | **1,826,195** | **0** | **0** | **1,884,367** | **1,826,195** |
| | | | | | | | | |
| | | | | | | | | |
| | –245,935 | –245,678 | –974,611 | –985,869 | 0 | 0 | –974,611 | –985,869 |
| | –218 | 2,116 | –172,818 | –186,822 | 0 | 0 | –172,818 | –186,822 |
| | 0 | 0 | –57,635 | –64,247 | 0 | 0 | –57,635 | –64,247 |
| | 0 | 0 | –57,600 | –62,931 | 0 | 0 | –57,600 | –62,931 |
| | 0 | 0 | –35 | –1,316 | 0 | 0 | –35 | –1,316 |
| | 0 | 0 | –1,338 | –926 | 0 | 0 | –1,338 | –926 |
| | –246,838 | –228,387 | –530,746 | –511,543 | 0 | 0 | –530,746 | –511,543 |
| | –50,710 | –105,032 | –168,941 | –236,081 | 0 | 0 | –168,941 | –236,081 |
| | –197,627 | –124,247 | –363,585 | –279,567 | 0 | 0 | –363,585 | –279,567 |
| | 1,499 | 893 | 1,780 | 4,106 | 0 | 0 | 1,780 | 4,106 |
| | 0 | 0 | –47,778 | –13,208 | 0 | 0 | –47,778 | –13,208 |
| | –11 | –11 | –27,548 | –14,506 | 0 | 0 | –27,548 | –14,506 |
| | **–493,002** | **–471,960** | **–1,812,474** | **–1,777,120** | **0** | **0** | **–1,812,474** | **–1,777,120** |
| | | | | | | | | |
| | **60,390** | **44,800** | **71,893** | **49,075** | **0** | **0** | **71,893** | **49,075** |
| | –1,358 | –195 | –5,783 | 11,514 | 0 | 0 | –5,783 | 11,514 |
| | **59,032** | **44,604** | **66,110** | **60,590** | **0** | **0** | **66,110** | **60,590** |
| | 27,100 | 39,800 | 292,412 | 310,487 | 0 | 0 | 292,412 | 310,487 |
| | –7,060 | –5,398 | –81,743 | –36,992 | 374 | 0 | –81,370 | –36,992 |
| | **20,041** | **34,402** | **210,668** | **273,495** | **374** | **0** | **211,042** | **273,495** |
| | 0 | 0 | –157,999 | –200,970 | 0 | 0 | –157,999 | –200,970 |
| | 0 | 0 | 108,492 | 96,776 | –41,852 | –39,169 | 66,640 | 57,607 |
| | 0 | 0 | –103,890 | –90,384 | 41,852 | 39,169 | –62,038 | –51,215 |
| | **0** | **0** | **4,602** | **6,392** | **0** | **0** | **4,602** | **6,392** |
| | 2,554 | 3,775 | 23,823 | 20,952 | 657 | 0 | 24,480 | 20,952 |
| | –6,453 | –5,055 | –78,380 | –72,849 | –3,120 | –3,133 | –81,501 | –75,982 |
| | **–3,899** | **–1,280** | **–54,557** | **–51,897** | **–2,464** | **–3,133** | **–57,021** | **–55,030** |
| | **75,173** | **77,726** | **68,825** | **87,609** | **–2,090** | **–3,133** | **66,734** | **84,476** |
| | **0** | **0** | **–267** | **–267** | **0** | **0** | **–267** | **–267** |
| | **75,173** | **77,726** | **68,558** | **87,342** | **–2,090** | **–3,133** | **66,467** | **84,209** |
| | | | | | –37,240 | –36,955 | –37,240 | –36,955 |
| | **75,173** | **77,726** | **68,558** | **87,342** | **–39,330** | **–40,088** | **29,227** | **47,254** |
| | | | | | 34 | –2,033 | 34 | –2,033 |
| | **75,173** | **77,726** | **68,558** | **87,342** | **–39,296** | **–42,122** | **29,261** | **45,220** |

# Auditor's Report*

We have audited the consolidated financial statements, comprising the balance sheet, income statement, notes to the financial statements, cash flow statement, statement of changes in equity, and segment reporting, together with the group management report prepared by ARAG Holding SE, Düsseldorf, for the financial year from January 1, 2015 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with the requirements of German commercial law is the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (HGB) and German generally accepted auditing standards promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German accepted accounting principles and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of the entities included in the consolidated financial statements, the determination of the entities to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

* 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 consolidated financial statements, is authoritative.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with German accepted accounting principles. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, April 29, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Christian Sack | Sven Capousek |
| Wirtschaftsprüfer (German Public Auditor) | Wirtschaftsprüfer (German Public Auditor) |

# Report of the Supervisory Board

The Supervisory Board continually monitored and advised the Management Board during the financial year, holding five Supervisory Board meetings for this purpose. Monitoring was based on the written and oral reports presented by the Management Board, which provided the Supervisory Board with timely and comprehensive information on relevant planning matters, the performance of the Company and its equity investments, the risk situation, and risk management. The Supervisory Board also received detailed information between meetings on projects and plans of particular importance or urgency to the Company. At the meetings, the Management Board agreed the Company's strategic direction with the Supervisory Board. The Supervisory Board was involved in decisions of fundamental importance to the Company. Progress on implementing the strategy was regularly discussed in the meetings. The main topics deliberated on during the Supervisory Board meetings included the refinement of the management structure of ARAG Holding SE, explanation of the quarterly financial statements, and the appropriateness of Management Board remuneration. The Supervisory Board also examined the Company's risk report, controlling report, and real estate report. No special monitoring measures were required last year. The Supervisory Board believes that the Management Board manages the business lawfully, properly, and appropriately. In particular, the Management Board fulfills its duty of care regarding the Company's continued existence and long-term profitability.

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

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

1. The Management Board's financial reporting complies with the legal requirements and the provisions in the Group parent company's articles of incorporation. The group management report is consistent with the consolidated financial statements.
2. The accounting policy decisions that were made on a discretionary basis were exercised for the benefit of the Group.

On behalf of the Supervisory Board, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the consolidated financial statements for the year ended December 31, 2015, including the bookkeeping system and the group management report, and issued an unqualified opinion. The audit report was presented to the Supervisory Board on time. Having studied the report and on the basis of its own final review, the Supervisory Board agrees with the auditors' opinion. It has no comments to make about the auditors' report.

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

Düsseldorf, May 30, 2016

The chairman of the Supervisory Board

Gerd Peskes

# Governing Bodies of the Company

**Supervisory Board**

The members of the **Supervisory Board** are:

| | |
|---|---|
| **Gerd Peskes** | Wirtschaftsprüfer (German Public Auditor), Essen<br>Chairman |
| **Prof. Dr. Dr. h. c. Rolf Dubs** | University professor, St. Gallen/Switzerland<br>Deputy chairman |
| **Dr. Tobias Bürgers** | Attorney, Munich |

**Management Board**

| | |
|---|---|
| **Dr. Dr. h. c. Paul-Otto Faßbender** | CEO of ARAG SE, Düsseldorf |
| **Dr. Karl-Heinz Strohe** | Attorney, Cologne |
| **Dr. Sven Wolf** | Jurist, Krefeld<br>(since January 1, 2016) |

# Information

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

You can obtain up-to-date **information about the Group** using the following contact details:

**ARAG**
**Corporate Communications/Marketing**
**ARAG Platz 1**
**40472 Düsseldorf**
**Germany**

**Tel:** **+49 (0)211 963 3488**
**Fax:** **+49 (0)211 963 2025**
**+49 (0)211 963 2220**
**Email:** **medien@ARAG.de**

**If you would like an individual quote**, you can contact us at any time by telephone, fax, or email:

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

You can find the latest **information about the Group and our products** on our website:

**www.ARAG.com**

**Credits**

| | |
|---|---|
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**ARAG HOLDING SE** ARAG PLATZ 1 · 40472 DÜSSELDORF · GERMANY · WWW.ARAG.COM