



ARAG Group reports further strong premium gains and a substantial increase in profits

Key figures

ARAG Holding SE (in million EUR)	2016	+/-	2015
Gross written premiums	1,729.7	4.4 %	1,656.1
Expenditures for insurance claims for own account	1,014.9	4.1 %	974.6
Claims ratio	59.5 %	- 0.2 %-pts.	59.7 %
Costs of insurance business for own account	546.5	3.0 %	530.7
Cost ratio	32.0 %	- 0.5 %-pts.	32.6 %
Underwriting result for own account	66.7	0.9 %	66.1
Income from capital investments	240.0	13.7 %	211.0
Profit on ordinary activities	87.0	30.4 %	66.7
Net income before external components	43.1	47.6 %	29.2

- **ARAG Group posts stable growth once again, with a 4.4 percent increase in premium revenue**
- **Income from German business up by 2.9 percent**
- **Further significant growth in premium income (7.6 percent) in international markets**
- **Combined ratio declines to 91.5 percent**
- **Significantly improved profit on ordinary activities**
- **ARAG makes an outstanding start in current fiscal year 2017**

"ARAG presented itself in very good shape again in 2016. Processes and procedures are well coordinated. Our sales, products and services meet the needs of our customers. Our key business figures show that we are success-oriented, highly motivated and working like a finely tuned machine at all levels," noted Dr. Paul-Otto Faßbender, CEO and majority shareholder of the ARAG Group, at the Annual Press Conference. The Düsseldorf-based family-owned enterprise reported a very strong 4.4 percent increase in premium income to 1.73 billion EUR in fiscal year 2016. The Group's German insurance business grew by 2.9 percent, well ahead of the market average of 0.2 percent. With growth amounting to 6.3 percent, ARAG's German legal insurance business rivaled that of its international legal insurance business, which rose by 6.0 percent, for the first time. The Group expanded its insurance portfolio once again, from 6.6 million to 7.1 million policies. Gross Group revenue – including turnover generated by the services companies – rose by 3.6 percent to 1.78 billion EUR. In spite of the strong business growth, the underwriting result increased again by 0.9 percent to 66.7 million EUR – the best value achieved in the past ten years. Profit from ordinary business activities also rose by a substantial 30.4 percent to 87 million EUR.

The simultaneous increases in both premium income and profit on ordinary activities had a definite positive impact on the Group's claims cost ratio. The combined ratio improved from 92.3 percent to 91.5 percent – the best value reported in the past ten years. ARAG paid benefits amounting to a total of 1,014.9 million EUR in 2016 (2015: 974.6 million EUR). The Group claims ratio of 59.5 came very close to the previous year's level (59.7 percent). At 32.0 percent, the cost ratio was slightly lower than that of 2015 (32.6 percent). Group equity capital rose from 426.5 million EUR (2015) to 461.7 million EUR during the past fiscal year. In spite of this increase in equity capital and the influence of weak



capital markets, return on equity (after taxes) amounted to 10 percent. “That makes ARAG one of the best insurance shares in my portfolio by far,” noted Dr. Paul-Otto Faßbender from his vantage point as the Group’s owner and majority shareholder.

As ARAG’s largest single business segment, the **legal insurance** business underscored its important role in the Group once again and reported a gain of 51 million EUR in premium income. That equates to a growth rate of 6.1 percent, from 841.7 million EUR to 893.0 million EUR. Premium revenues from international business rose by 6.0 percent from 511.2 million EUR to 541.6 million EUR. Particularly gratifying growth was achieved in Spain, Italy and the US. The German legal insurance business once again posted growth ahead of the market average. Premium income from self-contracted business rose by 6.6 percent from 308.9 million EUR to 329.3 million EUR. With the addition of acquired business, total gross premium income increased to 351.5 million EUR (2015: 330.5 million EUR). On the earnings side, profit on ordinary activities in the entire legal insurance segment increased substantially to 103.7 million EUR as compared to 69.7 million EUR in 2015.

The Group’s also reported good growth in its **composite segment** once again in 2016. Premium revenues rose substantially by nearly 8 percent from 246.6 million EUR to 266.1 million EUR. Due to the absence of major losses, the number of reported claims declined during fiscal year 2016. Furthermore, claims reserves for unidentified late claims were readjusted in view of the sustained strong growth in premium income. The gross claims ratio rose accordingly from 52.5 percent to 54.8 percent, which is still a very good figure. The higher claims expenditures led to a slightly lower underwriting result (before equalization reserve) of 12.4 million EUR, as compared to 16.8 million EUR in 2015. Additions to the equalization reserve amounted to 9.9 million EUR in 2016. Thus the underwriting result fell from 12.5 million EUR to 2.5 million EUR.

Growth rates in ARAG’s **health insurance business** improved in 2016. Premium income rose by 2.8 percent from 347.5 million EUR to 356.9 million EUR. Only moderate premium adjustments averaging about 1 percent were made in 2016. Revenue from the strategically very important partial-cost insurance policies grew by 4 percent. Growth in the full-coverage sub-segment amounted to 1.5 percent. With such solid growth, the segment lies above the market average of 1.8 percent. From the substantially higher gross surplus of 75.6 million EUR (2015: 61.5 million EUR), a total of 91 percent was added to provisions for premium refunds. Due in part to increased expenditures for benefits, the underwriting result in this segment declined from 14.5 million EUR to 8.5 million EUR.

ARAG’s **life insurance business** was influenced by the decision to sell the shares in ARAG Lebensversicherungs-AG held by ARAG SE to the Frankfurter Leben-Gruppe. The sale is subject to approval by the Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority, BaFin). This definitive strategic decision to sell off the life insurance business resulted in a noticeable decline in new business during the fiscal year. Income from gross written premiums fell accordingly from 220.3 million EUR to 213.7 million EUR.



Outlook for the current fiscal year 2017

The impact of the far-reaching strategic decisions made by the Group last year has been evident in the first months of 2017. ARAG Leben stopped issuing new policies at the end of 2016. Consequently, premium income in the life insurance segment is down by 10 percent for the first half of the year. However, this planned premium income reduction has been more than offset by sustained, excellent premium gains in other Group segments. Total Group revenues for the first six months will have risen by 3 percent, from 907.0 million EUR to 937.5 million EUR. Thus ARAG has made an excellent start in fiscal year 2017. The most dynamic growth has been generated by international business, with a significant gain of 7.8 percent. Business continues to grow in the German market as well – although at a slower pace due to the effects of changes in the life insurance business. Thus premium revenues have risen only slightly, from 574.8 million EUR to 577.8 million EUR. The German legal insurance business provided another particularly strong growth impulse with a gain of 5.1 percent.

“The results achieved in fiscal year 2016 and the first half of 2017 prove in many different ways that the ARAG Group is a very well structured and carefully calibrated business enterprise. We decide, we perform and we deliver. Yet we definitely do not act opportunistically, but instead focus resolutely on our own priorities. That is clearly illustrated, for example, by the example of the realignment of our Group during the low-interest phase,” emphasized Chairman and CEO Dr. Paul-Otto Faßbender, adding that the Group is clearly focused on the goal of achieving success with its new positioning. “That is by no means a given, but rather a challenging and exciting process which we intend to move ahead with all the energy we can muster,” said Dr. Paul-Otto Faßbender.

Contact

Klaus Heiermann

Chief Representative, ARAG SE

Vice President, Corporate Communications/Marketing

Telephone: 0211 963-2219 · Fax: 0211 963-2220

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

ARAG is the largest family enterprise in the German insurance industry and has positioned itself as a versatile quality insurer. In addition to specializing in legal insurance, ARAG also offers its customers needs-based products and services from a single source through its strong subsidiaries in the German composite, health and old-age pension insurance segments. Active in 17 countries – including the US and Canada – ARAG is also represented by international branches, subsidiaries and shareholdings in numerous international markets in which it holds a leading positions as a provider of legal insurance and legal services. With more than 4,000 employees, the Group generates revenue and premium income totaling roughly 1.8 billion EUR.

ARAG SE ARAG Platz 1 · 40472 Düsseldorf **Chairman of the Supervisory Board** Gerd Peskes **Board of Management** Dr. Dr. h. c. Paul-Otto Faßbender (Chairman) · Dr. Renko Dirksen · Dr. Matthias Maslaton · Werner Nicoll · Hanno Petersen · Dr. Joerg Schwarze

Seat and court of registry Düsseldorf · HRB 66846 · VAT ID: DE 119 355 995