2024 Solvency and Financial Condition Report

ARAG SE

ARAG Group

Asset and investment management	**ARAG Holding SE**					
Operating management company and legal insurance	**ARAG SE**					
	Speaker of the Management Board and Central Group Functions	Group Sales, Products and Innovation	Group Finance	Group IT and Operations	Group Risk Management and Group Controlling	Group Human Resources/ Group Internal Audit
Operating insurance companies	ARAG Allgemeine Versicherungs-AG (Casualty and property 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)			

Structure of ARAG SE

Company	**ARAG SE**					
Members of the Management Board and areas of responsibility	Speaker of the Management Board and Central Group Functions Dr. Renko Dirksen	Group Sales, Products and Innovation Dr. Matthias Maslaton	Group Finance Wolfgang Mathmann	Group Human Resources/ Group Internal Audit Dr. Shiva Meyer	Group IT and Operations Hanno Petersen	Group Risk Management and Group Controlling Dr. Joerg Schwarze

Contents

Summary

Chapter A. Business and Performance

ARAG SE (also referred to as the Company) is the operating management company of the ARAG Group. It is Germany's largest family-owned insurance group and the leading legal insurer worldwide. ARAG SE focuses on state-of-the-art legal insurance product concepts aimed at both private and small business customers.

In 2024, gross premiums written went up by 25.1 percent to €1,542,443 thousand at ARAG SE (2023: €1,232,716 thousand). The Company generated 47.9 percent of its total gross premium income outside Germany in the reporting year. With regard to benefit expenses, gross expenses for claims incurred rose by €158,120 thousand to €784,597 thousand (2023: €626,477 thousand), which was due to a rise in the frequency of claims, growth of the portfolio, and inflationary trends. In a number of countries (Germany, Austria, the Netherlands), there was also a tangible rise in attorneys' fees.

Under the German Commercial Code (HGB), the underwriting result – after taking into account costs and outward reinsurance, and before the change in the equalization provision – decreased from €60,400 thousand to €54,018 thousand in the reporting year.

Gains and losses on investments improved by €28,114 thousand to a net gain of €80,484 thousand (2023: €52,371 thousand). Despite challenging conditions, the Company's net income for the year rose significantly to €50,226 thousand (2023: €21,883 thousand).

Chapter B. System of Governance

Chapter B.1 contains information on the Management Board and Supervisory Board as well as on the tasks of the following four key functions: risk management, compliance, internal audit, and the actuarial function. As these key functions are kept strictly separate from the operational departments and they have a direct reporting line to the Management Board member with relevant responsibility, they can perform their duties objectively and independently.

There were changes to the Supervisory Board's composition during the reporting period.

The remuneration granted to the members of the Management Board and Supervisory Board and to the holders of key functions is structured such that it is consistent with market rates and rewards performance without creating undesirable incentives.

Chapter B.2 provides an overview of the specific 'fit and proper' requirements that must be satisfied by the members of the Management Board and Supervisory Board, and by the holders of other key functions. It also explains how the Company assesses whether these requirements are met.

Chapter B.3 describes the Company's risk management system and its implementation by the risk management function (synonym: independent risk control function [IRCF]). The chapter also includes a description of the risk management process and the process for the Own Risk and Solvency Assessment.

A description of the internal control system and the implementation of the compliance function can be found in chapter B.4.

The other key functions (internal audit and actuarial function) are presented in chapters B.5 and B.6. Chapter B.7 describes how the Company handles outsourcing.

The statements in this chapter confirm that ARAG SE has a system of governance that facilitates prudent management of the insurance business and that is appropriate for the nature, scope, and complexity of the Company's activities.

No significant changes were made to the system of governance in the reporting period.

Chapter C. Risk Profile

The two main risks influencing ARAG SE's risk profile are market risk and underwriting risk. The solvency capital requirement (SCR) relating to market risk was €645,751 thousand (December 31, 2023: €564,736 thousand). The primary sub-risks in this regard were equity investment risk and credit risk (attaching to investments). Overall underwriting risk was measured with an SCR of €229,503 thousand (December 31, 2023: €173,052 thousand). The relevant underwriting sub-risks were accumulation risk, premium risk, and reserve risk.

Chapter D. Valuation for Solvency Purposes

Solvency II lays down requirements, which differ from the financial reporting standards under HGB, for recognizing, valuing, and disclosing assets, technical provisions, and other liabilities. The Solvency II balance sheet presents the line items from an economic perspective, whereas the financial reporting standards under HGB enforce the principle of prudence through application of the realization principle, the historical cost convention, and the principle of lower of cost or market value. Consequently, the individual line items on the Solvency II balance sheet and HGB balance sheet can only be compared once the carrying amounts have been reconciled.

There were no material changes in the valuation methods for solvency purposes compared with the prior year.

ARAG SE did not apply any transitional measures pursuant to section 351 et seq. of the German Insurance Supervision Act (VAG) or a volatility adjustment pursuant to section 82 VAG in the reporting period.

Chapter E. Capital Management

The SCR for ARAG SE was €670,230 thousand (December 31, 2023: €573,508 thousand). To cover this requirement, the Company had eligible own funds of €1,997,725 thousand (December 31, 2023: €1,903,371 thousand), giving a coverage ratio of 298.1 percent (December 31, 2023: 331.9 percent). ARAG SE thus has a high level of capital adequacy.

The Company's minimum capital requirement was €251,788 thousand (December 31, 2023: €199,757 thousand), which means that the coverage ratio for the minimum capital requirement was 793.4 percent (December 31, 2023: 952.8 percent).

ARAG SE uses a partial internal model to determine its solvency capital requirement. Chapter E.4 provides an overview of the material differences between the partial internal model and the standard formula.

The Company complied with the minimum capital requirement and the solvency capital requirement at all times in the reporting year.

There were no events of particular importance for assessing the solvency capital requirement of ARAG SE after December 31, 2024. ARAG SE is closely monitoring changes resulting from flatlining growth, high costs, and persistent geopolitical uncertainty, such as the global crises, and other particularly significant influencing factors.

The events described above may also affect ARAG SE's risk position, although it is difficult to predict any specific impact at present. So far in 2025, business performance has been positive in line with expectations.

A. Business and Performance

A.1 Business

General disclosures

Legal basis
ARAG SE, which has its headquarters in Düsseldorf, trades in the legal form of a European Company (Societas Europaea, SE). Its contact details are:

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53117 Bonn, Germany

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Contact details for BaFin
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Independent auditor
The contact details of the appointed auditor are:

KPMG AG Wirtschaftsprüfungsgesellschaft, headquartered in Berlin
KPMG Cologne branch
Barbarossaplatz 1a
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Tel: +49 (0)221 2073 00
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Structure of ARAG SE and holders of qualifying holdings

The ARAG Group[1] (including associates) comprises 47 Group companies, of which eight are insurance companies headquartered in Germany, Norway, Switzerland, the United Kingdom, and the United States. ARAG Holding SE, headquartered at ARAG Platz 1, 40472 Düsseldorf, manages the assets and is the parent company of the ARAG Group from a company law perspective.

Indirectly, ARAG SE, Düsseldorf, is wholly owned by ARAG Holding SE, which directly holds a 50.0 percent equity investment. The second shareholder is AFI Verwaltungs-Gesellschaft mbH (registered office at ARAG Platz 1, 40472 Düsseldorf), which holds a 50.0 percent equity investment in ARAG SE. ARAG Holding SE holds all of the shares in AFI Verwaltungs-Gesellschaft mbH.

ARAG SE is therefore a dependent company of ARAG Holding SE within the meaning of section 17 (1) of the German Stock Corporation Act (AktG). ARAG SE is responsible for the operational management of the insurance business of the ARAG Group.

[1] A simplified representation of the group structure has already been provided and can be found on page 2.

ARAG SE is integrated into the set of main affiliated companies and associates listed below. The Company itself has a European branch structure, details of which can be found in the Appendix.

List of the main affiliated companies of ARAG SE

Name and location of registered office	Legal form	Type of business	Country	Direct share	Group's share
1 ARAG Holding SE, Düsseldorf	SE (European company)	Holding company	Germany	0.0%	Group parent company
2 AFI Verwaltungs-Gesellschaft mbH, Düsseldorf	GmbH (private limited company)	Holding company	Germany	0.0%	100.0%
3 ARAG 2000 Grundstücksgesellschaft eGbR, Düsseldorf	eGbR (registered partnership under the German Civil Code)	Real estate management	Germany	50.9%	94.9%
4 ARAG Allgemeine Versicherungs-AG, Düsseldorf	AG (stock corporation)	Insurer	Germany	100.0%	100.0%
5 ARAG International Holding GmbH, Düsseldorf	GmbH	Holding company	Germany	100.0%	100.0%
6 ARAG IT GmbH, Düsseldorf	GmbH	IT	Germany	100.0%	100.0%
7 ARAG Krankenversicherungs-AG, Munich	AG	Insurer	Germany	94.0%	94.0%
8 ARAG Law Limited, Caerphilly	Limited company	Service provider	United Kingdom	100.0%	100.0%
9 ARAG Legal Expenses Insurance Company Limited[1], Caerphilly	Limited company	Insurer	United Kingdom	0.0%	100.0%
10 ARAG Legal Solutions Inc., Toronto	Corporation	Service provider	Canada	100.0%	100.0%
11 ARAG North America Inc., Des Moines	Corporation	Holding company	USA	100.0%	100.0%
12 ARAG Service Center GmbH, Düsseldorf	GmbH	Service provider	Germany	80.0%	100.0%
13 ARAG Services Limited, Caerphilly	Limited company	Service provider	United Kingdom	0.0%	100.0%
14 ARAG UK Holdings Limited, Caerphilly	Limited company	Holding company	United Kingdom	100.0%	100.0%
15 Cura Versicherungsvermittlung GmbH, Düsseldorf	GmbH	Service provider	Germany	100.0%	100.0%
16 HELP Forsikring AS, Oslo	AS (private limited liability company)	Insurer	Norway	0.0%	100.0%
17 Interlloyd Versicherungs-AG, Düsseldorf	AG	Insurer	Germany	0.0%	100.0%
18 ALIN 1 GmbH & Co. KG, Düsseldorf	GmbH & Co. KG (limited partnership with a GmbH as general partner)	Asset manager	Germany	100.0%	100.0%
19 ALIN 1 Verwaltungs-GmbH, Düsseldorf	GmbH	Service provider	Germany	100.0%	100.0%
20 AXA-ARAG Rechtsschutz AG, Zurich	AG	Insurer	Switzerland	29.2%	29.2%

[1] Until January 14, 2025, the company was called DAS Legal Expenses Insurance Company Limited.

Description of the main affiliated companies

1. ARAG Holding SE is the parent company of the ARAG Group from a company law perspective. It does not exercise influence in the sense of acting as an overarching Group management entity.

2. AFI Verwaltungs-Gesellschaft mbH manages 50.0 percent of the shares in ARAG SE. This management remit is limited to exercising its rights and fulfilling its obligations as a shareholder in the equity investment.

3. ARAG 2000 Grundstücksgesellschaft eGbR manages the site at ARAG Platz 1, 40472 Düsseldorf, where the ARAG Group's headquarters are located.

4. ARAG Allgemeine Versicherungs-AG operates the Group's casualty and property insurance business in Germany and, through a branch in the United Kingdom and a branch in the Republic of Ireland, the legal insurance and casualty and property insurance business. The UK branch closed on December 31, 2023. It is necessary to operate the casualty and property insurance business in a separate company because, in Germany, legal insurance claims have to be settled separately (section 164 of the German Insurance Supervision Act [VAG]).

5. ARAG International Holding GmbH is an intermediate holding company connecting selected strategic subsidiaries outside Germany (in the United States and the Republic of Ireland) to the ARAG Group in Germany. It is purely a financial holding company and limits itself to exercising its rights and fulfilling its obligations as a parent company.

6. ARAG IT GmbH, which is located at the Düsseldorf site, primarily carries out data center activities and IT services for the ARAG Group.

7. ARAG Krankenversicherungs-AG operates the private health insurance business. The need to separate the different segments (section 8 (4) VAG) means that a separate company has to operate the health insurance business. ARAG Krankenversicherungs-AG has established itself in its market as a provider of high-quality full-coverage and supplementary private health insurance.

8. ARAG Law Limited, United Kingdom, is a company whose purpose is to provide legal services in connection with claims arising at ARAG Legal Expenses Insurance Company Limited.

9. ARAG Legal Expenses Insurance Company Limited, United Kingdom, is a company whose purpose is non-life insurance business. The ARAG Group operates the legal insurance business in the United Kingdom through this company. In addition to legal insurance, the Company also underwrites assistance and financial loss insurance.

10. ARAG Legal Solutions Inc., Canada, was established in 2010 and is one of the leading managing general agents in Canada specialized in legal insurance. Its product portfolio encompasses legal insurance products for families, landlords, home owners, and small businesses in Canada.

11. ARAG North America Inc., United States, is the country-specific holding company for the ARAG Group's US business lines. It holds all of the shares in the three US operating subsidiaries.

12. ARAG Service Center GmbH is the customer service center for all German insurance companies in the ARAG Group, providing comprehensive assistance and mediation services and a telephone hotline around the clock.

13. ARAG Services Limited, United Kingdom, is a company whose purpose is to provide administrative services for ARAG UK Holdings Limited and its subsidiaries and for ARAG plc.

14. ARAG UK Holdings Limited, United Kingdom, is a company whose purpose is to hold and manage equity investments. It holds all the shares in ARAG Legal Expenses Insurance Company Limited, ARAG Law Limited, and ARAG Services Limited, all of which have their registered offices in the United Kingdom. Since January 2, 2025, ARAG UK Holdings Limited has also held all shares in ARAG plc.

15. Cura Versicherungsvermittlung GmbH brokers insurance business to third parties that the ARAG Group does not underwrite itself. The company also takes care of the insurance requirements of the ARAG Group's own employees.

16. HELP Forsikring AS, Norway, primarily offers family legal insurance coverage for interest groups – predominantly members of labor unions and associations – in Norway, Sweden, and Denmark via local branches. In Norway, it also offers a special legal insurance product for homebuyers.

17. Interlloyd Versicherungs-AG is a wholly owned subsidiary of ARAG Allgemeine Versicherungs-AG and, like its parent company, operates the casualty and property insurance business. Unlike its parent company, however, it operates its business through insurance brokers rather than directly. Interlloyd Versicherungs-AG also has a branch in Spain.

18. ALIN 1 GmbH & Co. KG is a company whose purpose is to establish, hold, manage, and realize a portfolio of passive investments including, but not limited to, equity investments in companies with a similar object.

19. ALIN 1 Verwaltungs-GmbH is a company whose purpose is to acquire, hold, and manage shares in companies and various investments as well as to accept the general partner liability and handle management activities in connection with companies or partnerships structured in accordance with HGB. Its main object is to hold an equity investment in, and be the general and managing partner of, ALIN 1 GmbH & Co. KG.

20. AXA-ARAG Rechtsschutz AG (AXA-ARAG), Switzerland, is a legally independent subsidiary of the AXA Group. It is also one of the leading providers of legal insurance in Switzerland, offering legal cover for families and businesses.

Appropriation of profit/profit-and-loss transfer

ARAG SE received an amount of €8,681 thousand from ARAG Allgemeine Versicherungs-AG (ARAG Allgemeine) for 2024 (2023: €12,158 thousand) on the basis of a profit-and-loss transfer agreement. It also received a total of €35,017 thousand in dividends and shares in profits from other companies during the reporting period (2023: €21,430 thousand).

The Management Board of ARAG SE is proposing to the Annual General Meeting that a dividend of €20,000 thousand be distributed to shareholders from the net retained profit for 2024. An amount of €30,200 thousand is to be appropriated to other revenue reserves. The remaining sum of €49 thousand is to be carried forward to the next period.

In the period under review, no other material transactions – including transactions involving the appropriation of profit or profit-and-loss transfer – were conducted with shareholders, persons able to exercise significant influence over the Company, or members of the administrative, management, or supervisory bodies.

Qualitative and quantitative disclosures on relevant events and significant intragroup transactions of ARAG SE
ARAG SE is responsible for the operational management of the insurance business of the ARAG Group. In this role, it holds material equity investments in Group companies and performs centralized services for the insurance companies in the Group. Examples of these services include investment management, risk management, accounting, internal audit, legal services, business organization, HR management, and the management of groupwide projects.

In addition, there is a significant intragroup transaction with ARAG IT GmbH, which is responsible for performing consultancy/software development services and data center services.

On December 21, 2023, ARAG SE (reinsurer) and ARAG Legal Expenses Insurance Company Limited (cedent) entered into a quota-share reinsurance treaty effective January 1, 2024 stipulating ceded business of 90.0 percent. Business of €234,928 thousand (including portfolio entry) was ceded under this treaty. Under the treaty, ARAG SE generated an underwriting profit before the equalization provision of €4,217 thousand in the reporting year.

ALIN 1 GmbH & Co. KG, whose sole limited partner is ARAG SE, was formed in 2014 for the purpose of carrying out and managing investments in infrastructure funds and private equity funds. The general partner is ALIN 1 Verwaltungs-GmbH. Investments from the private equity/infrastructure portfolio were sold for the first time in 2024. Following the divestment, €22,400 thousand from the reserves of ALIN 1 GmbH & Co. KG was returned to the limited partners.

ARAG SE, ARAG 2000 Grundstücksgesellschaft eGbR, and ARAG Krankenversicherungs-AG have entered into rental agreements concerning the use of office space, storage areas, and underground parking in Düsseldorf.

There are contracts with all affiliated companies concerning the performance of services, insurance brokerage, the use of trademark rights, and support for and shared use of real estate, office furniture, and equipment.

There were no other material intragroup transactions to report. All services are charged on the basis of arm's-length terms and conditions that are typical in the market.

Line of business

ARAG SE is the leading legal insurer worldwide. The Company focuses on product concepts aimed at both private customers and small businesses.

In the international markets, it also operates travel insurance business in connection with its provision of legal insurance.

ARAG SE also serves as the operating management company of the ARAG Group. In this capacity, it holds a controlling interest in ARAG Krankenversicherungs-AG and ARAG Allgemeine Versicherungs-AG, the companies that operate, respectively, the health insurance business and the casualty and property insurance business. ARAG SE Core Sales acts as a broker for their insurance products alongside its own legal insurance policies; the offering is rounded off by insurance products, for example life insurance, provided by non-Group insurance companies.

The territory covered by ARAG SE includes Germany as well as Austria, Belgium, Spain, Greece, Italy, the Netherlands, Portugal, Slovenia, and the United Kingdom. ARAG SE's business outside Germany is operated by the branches in these countries.

Legal insurance is also provided in the United States, in Canada, in Norway and, through branches of the Norwegian subsidiary, in Sweden, Denmark, and – since January 1, 2025 – Finland. In each case, the business is operated through legally independent affiliated companies, under the unified management of ARAG SE in its role as parent company. The subsidiary ARAG Allgemeine Versicherungs-AG operates the legal insurance and legal-insurance-related emergency assistance business in the Republic of Ireland. Acting as a broker, a subsidiary in Australia works with an international primary insurer that cedes reinsurance business to the headquarters in Germany. With effect from January 2, 2024, the acquisition of DAS UK Holdings Ltd. (now: ARAG UK Holdings Ltd.) was completed, which significantly expanded the legal insurance business in the United Kingdom in 2024.

In addition, ARAG SE operates in Switzerland via an equity investment in a legal insurance associate. In the United Kingdom, Canada, Australia, and the Republic of Ireland, a Group company acts as a broker for legal insurance business and legal-insurance-related special service package business, passing this business to internal and external primary insurers. Some of this insurance is then ceded to ARAG SE under quota-share reinsurance treaties. An equity investment is also held in a legal insurance company in Luxembourg.

Insurance portfolio

At the end of the year under review, the insurance portfolio in the direct insurance business comprised 5,290,043 insurance policies (December 31, 2023: 5,151,089), of which 2,004,478 related to the business in Germany (December 31, 2023: 1,900,156) and 3,285,565 to international business (December 31, 2023: 3,250,933).

Significant business or other events in the reporting period

Products, digitalization, and other topics

The success of the ARAG Group is based on the high quality of its products and the particular innovative strength of the Group. The quality of its offerings is regularly reflected in the many awards and seals of approval that it receives from independent organizations. In its core legal insurance segment, ARAG has helped to shape the German market through innovative products and services for 90 years, offering protection, security, and legal guidance to customers and consumers.

ARAG SE launched a new ARAG legal insurance rate scale for small business customers in 2024, updating the rate scale and integrating enhanced benefits. In September, the new features were incorporated into the legal insurance module of the new bundled product, ARAG Recht & Gewerbe, which ARAG Allgemeine had launched in September 2023.

At the same time as launching the new legal insurance for small business customers, a separate policy offering retroactive cover was introduced, ARAG Gewerbe-Rechtsschutz with immediate assistance. This product gives customers one-off help with out-of-court conflict resolution for a dispute that arose before the policy came into force. It extends the portfolio of products with retroactive cover to the small business segment.

Another digital upgrade campaign was run for existing ARAG legal insurance customers in 2024. Selected customers received personal quotes to upgrade their current legal insurance policies in line with the current rate scale. The policy upgrade process is simple and fully digital, including a landing page leading to compact quote pages and rate scale comparisons. Policy upgrades are processed and certificates of insurance issued automatically; the downstream process is also digital and automated.

The ARAG Group is embracing the opportunities presented by digitalization to take its business forward. ARAG's approach is two-pronged. Firstly, it is planning and designing all of its processes to be digital and technology-based in line with the digital by default principle. Analog processes will only be maintained or established where they are more advantageous for the Group, for its customers, or for its partners. Secondly, ARAG is promoting artificial intelligence (AI) in order to develop innovations, whether in contact with customers, in new product development, or in day-to-day processes. Twenty-one months after devising its first AI strategy, the Group implemented a new 2.0 version. The vision under the revised AI strategy is to take on a pioneering role in the legal market and make it even easier for customers and consumers to gain access to justice.

Insurance-specific events

Any insurance-specific events experienced by the Company in 2024 that had a significant influence on business performance (such as major claim payouts) are disclosed in chapter A.2 'Underwriting performance – overview'.

Company changes

ARAG continued to focus on digitalization and growing its business in 2024.

With effect from January 2, 2024, ARAG SE completed its acquisition of DAS UK Holdings Ltd. Three of the four new units were renamed as ARAG UK Holdings Limited, ARAG Law Limited, and ARAG Services Limited. At the start of 2025, the fourth unit was renamed ARAG Legal Expenses Insurance Company Limited.

There were personnel changes on ARAG SE's Supervisory Board in 2024. The number of members of the Supervisory Board had to be increased to twelve as a result of the increase in the Company's headcount and the related codetermination agreement. In line with the associated one-third participation rule, a further seat on the board was given to ARAG SE's employee representatives in December 2024. The Supervisory Board has also had two new members representing the shareholders since December 2024. Further information is provided in chapter B.1 'General Information on the System of Governance'.

There were no changes to the structure of ARAG SE. Furthermore, there were no changes in the shareholdings or material changes in business activities in the reporting year.

Other events

The German insurance industry was once again affected by upheaval and global uncertainties in 2024. Broadly speaking, the German economy was increasingly thwarted by economic and structural problems. The Russian Federation's ongoing war of aggression against Ukraine and the conflicts in the Middle East meant that concerns surrounding the economic and political outlook persisted. Structural issues emerged in relation to the competitiveness of capital goods and energy-intensive sectors in light of high energy prices and increasing competition from high-quality industrial goods from the Far East. Despite a significant rise in wages in real terms, consumer spending and investment by private households barely picked up. Energy prices stabilized at a lower level following the highs seen in previous years. In mid-2024, the European Central Bank (ECB) began to lower interest rates again. Overall, inflation weakened and, according to the German Council of Economic Experts, was well below the prior-year level at around 2.2 percent in 2024 (2023: 5.9 percent) and within the ECB's target range.

The macroeconomic situation remains volatile, shaped by flatlining growth, high costs, and persistent geopolitical uncertainty. General developments will therefore be continuously monitored to ensure that individual companies can respond quickly and appropriately if need be.

Based on provisional information from the German Insurance Association (GDV), the volume of business in the insurance industry in Germany is expected to have remained stable in 2024. Across all insurance segments, a notable premium increase of 5.3 percent overall is anticipated (2023: increase of 1.4 percent), with casualty and property insurance and private health insurance – business lines in which the ARAG Group operates – particularly contributing to this industry growth. In direct casualty and property insurance business, the overall market is expected to have grown by 7.8 percent (2023: 7.4 percent). A key growth driver in 2024 was composite residential buildings insurance with anticipated growth of 12.0 percent (2023: 16.5 percent), primarily forged through renewed premium and index adjustments. Legal insurance is also expected to have grown, by 5.0 percent (2023: 2.3 percent), on the back of higher premiums in new business and sustained growth in existing business in 2024. In the private health insurance business, the GDV is forecasting a premium increase of 6.3 percent (2023: 3.2 percent), also primarily thanks to premium adjustments.

As described in chapter A.2 'Underwriting Performance', ARAG SE maintained its strong business performance of recent years in 2024 despite the prevailing uncertainty of the economic situation.

A.2 Underwriting Performance

Underwriting performance – overview

In the year under review, ARAG SE generated income from gross premiums written of €1,542,443 thousand (2023: €1,232,716 thousand). This rise in premiums in direct business in Germany was driven by a consistently high level of portfolio expansion through new business, a low lapse rate of 6.4 percent, and premium adjustments. Income from gross premiums written in inward reinsurance business through the headquarters in Düsseldorf rose by 362.5 percent and was largely attributable to the conclusion of a reinsurance treaty with ARAG Legal Expenses Insurance Company Limited in connection with the acquisition of the ERGO Group. The reinsurers' share came to minus €1,128 thousand (2023: minus 1,113 thousand); net of reinsurance, net premiums earned amounted to €1,477,912 thousand (2023: €1,225,696 thousand).

Claims incurred (gross) went up by 25.2 percent to €784,597 thousand (2023: €626,477 thousand). The claim settlement costs included in this figure amounted to €171,848 thousand (2023: €154,270 thousand). The increase in claims incurred was due to a rise in the frequency of claims, portfolio growth, and inflationary trends. In many countries, there was also a tangible rise in attorneys' fees. The claims ratio (gross) based on the recognized claims incurred increased from 51.1 percent to 53.0 percent. Claims incurred (net) amounted to €783,454 thousand in the reporting year (2023: €626,490 thousand).

Insurance business operating expenses (gross) went up year on year, from €540,444 thousand to €641,557 thousand. The acquisition costs included in this figure amounted to €164,163 thousand (2023: €147,242 thousand). At 11.1 percent, the acquisition cost ratio was slightly lower than in the prior year (2023: 12.0 percent). Administrative expenses climbed by 21.4 percent to €477,394 thousand (2023: €393,202 thousand). The cost ratio came to 43.4 percent (2023: 44.1 percent). The main reasons for the rise in insurance business operating expenses included the higher volume of business and the related rise in commission and travel expenses, especially in the headquarters' direct insurance business. An interest-rate-induced decline in expenses for pension and other post-employment benefits offset this increase to some extent. The sharp increase in inward reinsurance business was mainly attributable to the new reinsurance treaty with ARAG Legal Expenses Insurance Company Limited.

Miscellaneous underwriting income and expenses amounted to net income of €1,741 thousand (2023: net income of €1,623 thousand).

The underwriting result in accordance with HGB net of reinsurance in 2024 amounted to profit of €36,775 thousand (2023: profit of €41,521 thousand). Based on the quantitative reporting required for regulatory purposes (see template S.05.01.02 in the Appendix), the underwriting result for the reporting period came to a profit of €45,423 thousand (2023: profit of €51,637 thousand).

The following table shows this underwriting result with a reconciliation to the underwriting result in accordance with the German Commercial Code (HGB), as published in ARAG SE's 2024 Annual Report:

Underwriting result (net[1])

(€'000)	2024	2023
Premiums earned	1,477,912	1,225,696
Claims incurred (excluding claim settlement costs)	611,606	472,219
Expenses incurred	822,624	703,463
Miscellaneous underwriting income and expenses	– 1,741	– 1,623
Underwriting result in accordance with template S.05.01.02	**45,423**	**51,637**
Technical interest income	0	0
Changes in other technical provisions	624	– 15
Expenses for investment management	– 9,218	– 8,749
Underwriting result in accordance with HGB[2]	**54,017**	**60,401**
Change in the equalization provision and similar provisions	– 17,242	– 18,880
Underwriting result in accordance with HGB	**36,775**	**41,521**

[1] The net amount is adjusted for the reinsurer's share and refers, where applicable, to the individual line items.
[2] Underwriting result before change in the equalization provision and similar provisions.

Other insurance disclosures

The change in other technical provisions (net) amounted to an expense of €624 thousand (2023: income of €15 thousand). This amount includes expenses for non-performance-based bonuses and rebates of €500 thousand (2023: €0 thousand) from business involving emergency assistance for drivers in Spain.

No miscellaneous underwriting expenses (net) or other miscellaneous items were incurred in 2024 or 2023.

Underwriting result by main line of business

The following table shows a breakdown of the key figures reported in the template by main line of business:

Main lines of business[1] (net[2])

	Premiums earned		Claims incurred[3]	
(€'000)	2024	2023	2024	2023
Legal expenses insurance	1,347,682	1,143,356	548,497	435,107
Assistance	96,732	74,464	49,408	36,312
Miscellaneous insurance	33,498	7,875	13,701	801
Total	**1,477,912**	**1,225,695**	**611,606**	**472,220**

[1] Presentation of results and lines of business based on S.05.01.02 in the Appendix.
[2] The net amount is adjusted for the reinsurer's share and refers, where applicable, to the individual line items.
[3] Excluding claim settlement costs.

Underwriting result by main geographical area

The following table shows a breakdown of the key figures reported in the template by main geographical area:

Main geographical areas (net[1])

	Premiums earned		Claims incurred[2]	
(€'000)	2024	2023	2024	2023
Germany	748,631	552,176	440,923	300,170
Netherlands	205,404	194,332	23,090	31,499
Spain	192,605	176,156	75,675	70,058
Italy	169,194	164,334	19,573	28,754
Austria	100,745	89,943	27,791	23,728
Other areas	61,333	48,755	24,554	18,010
Total	**1,477,912**	**1,225,696**	**611,606**	**472,219**

[1] The net amount is adjusted for the reinsurer's share and refers, where applicable, to the individual line items.
[2] Excluding claim settlement costs.

A.3 Investment Performance

Investment performance is reported as gains and losses on investments, which, as described below, consist of current income, realized gains and losses, depreciation, amortization, and write-downs, reversals of write-downs, current expenses, and loss transfers.

Gains and losses on investments at ARAG SE improved from a net gain of €52,371 thousand to a net gain of €80,484 thousand. Total income from investments declined year on year to €92,395 thousand (2023: €102,113 thousand). Of this total, €83,942 thousand was attributable to current income (2023: €60,614 thousand). The main reason for this increase was higher income from investments as a result of restructuring investments in private equity funds and in infrastructure funds. The Company generated extraordinary income of €8,454 thousand in 2024 (2023: €41,499 thousand), which was predominantly driven by a year-on-year fall in gains on disposal to €1,306 thousand (2023: €33,172 thousand).

Total expenses from investments fell sharply to €11,911 thousand (2023: €49,742 thousand), of which €10,114 thousand was attributable to current expenses (2023: €9,837 thousand) and €1,797 thousand to extraordinary expenses (2023: €39,905 thousand). The year-on-year decline in total expenses in 2024 was largely due to the decrease in losses on the disposal of investments to €532 thousand (2023: €28,773 thousand). The losses in 2023 had been incurred as a result of the investment structure being adjusted in order to have higher coupons available on interest-bearing securities in the future.

The net gains[1] on investments of €80,484 thousand described above equated to a net yield[2] on investments of 3.2 percent (2023: 2.2 percent). The current average yield[3] on investments was 2.9 percent (2023: 2.2 percent).

[1] The expense for the management of investments is included in the net gain or loss.
[2] Calculation of net yield: net gain or loss on investments/average value of investment portfolio.
[3] Calculation of current average yield: ordinary gains and losses on investments/average value of investment portfolio.

The following table shows the breakdown of the Company's gains and losses on investments in accordance with HGB[1] by individual asset class as required by Solvency II:

Gains and losses on the investments of ARAG SE

	Change in gains and losses							
Type of investment	**Current income**	**Realized gains**	**Realized losses**	**Reversals of write-downs**	**Depreciation, amortization, and write-downs**	**Current expense/ loss transfers**	**Gains and losses on investments**	**Gains and losses on investments**
(€'000)							**2024**	**2023**
Property, plant & equipment held for own use	3,171	0	0	0	119	0	3,052	2,914
Property (other than for own use)	1,217	345	95	0	1,806	1,658	– 1,997	– 855
Holdings in related undertakings, including participations	43,698	0	0	4,509	0	0	48,207	33,783
Equities – listed	0	0	0	0	0	0	0	0
Equities – unlisted	0	0	0	0	0	0	0	25
Government bonds	6,727	723	291	582	95	0	7,646	– 7,852
Corporate bonds	13,383	239	146	2,056	0	0	15,532	– 580
Structured notes	0	0	0	0	0	0	0	112
Collateralized securities	0	0	0	0	0	0	0	0
Collective investment undertakings	9,367	0	0	0	141	0	9,226	27,678
Derivatives	0	0	0	0	0	0	0	0
Deposits other than cash equivalents	3,639	0	0	0	0	1,177	2,462	3,134
Other investments	294	0	0	0	0	0	294	79
Deposits to cedants	2,446	0	0	0	0	0	2,446	218
Cash and cash equivalents[1]	0	0	0	0	0	0	0	0
Current expense (unallocated) / loss transfers	0	0	0	0	0	6,383	– 6,383	– 6,285
Total	**83,942**	**1,306**	**532**	**7,147**	**2,161**	**9,218**	**80,484**	**52,371**

[1] The interest income and interest expenses from cash and cash equivalents of ARAG SE are reported under other net income/expense.

[1] The total of the gains and losses on investments presented in the table equates to the gains and losses on investments published in ARAG SE's 2024 Annual Report.

Information on gains or losses recognized directly in equity

In the reporting year, the Company did not have to recognize any gains or losses directly in equity, for example as a result of the disposal of own shares.

Information on securitization instruments

As defined in HGB accounting rules, securitization instruments mainly comprise instruments such as asset-backed securities and mortgage-backed securities. Pfandbriefs, on the other hand, are not classified as securitization instruments because they are treated as government or corporate bonds.

Under Solvency II, ARAG SE did not, as of the reporting date, have any indirectly held shares/units in asset-backed securities or mortgage-backed securities that it would have had to report separately. As of December 31, 2023, it had indirectly held shares/units in such securities that did not need to be reported separately of €1,118 thousand. No shares/units in securitization instruments were held directly.

A.4 Performance of Other Activities

Other net income/expense includes staff costs and general and administrative expenses that are not allocated to an insurance or investment-related function in accordance with function-based accounting.

Other income went up from €131,769 thousand in 2023 to €151,903 thousand in the reporting year. This was mainly due to a rise in income from services (up by €8,969 thousand), increased commission income (up by €8,425 thousand), and higher interest on current bank balances (up by €528 thousand). These increases were partly offset by a fall in income from subleases (down by €446 thousand).

Other expenses came to €191,561 thousand in 2024, compared with €181,412 thousand in 2023. This was mainly due to increased commission expenses (up by €8,084 thousand), increased expenses for services rendered (up by €6,529 thousand), and a rise in currency losses (up by €1,396 thousand). These increases were partly offset by lower expenses for the Company as a whole (down by €3,624 thousand).

Other net income/expense improved by €9,986 thousand to a net expense of €39,657 thousand.

Tax income/expense

The tax expense amounted to €27,376 thousand in 2024 (2023: €22,364 thousand), largely as a result of earnings and investments.

Information on leases

A distinction is made between finance leases and operating leases. ARAG SE is a lessee under leases that are accounted for as operating leases. It is not involved in any material finance leases. The operating leases mainly relate to the company cars, rented offices, office equipment, and cellphones used by the Company’s employees. As lessee, ARAG SE recognizes the lease payments as an expense.

A.5 Any Other Information

Chapters A.1 to A.4 inclusive contain all of the important information about business and performance.

B. System of Governance

B.1 General Information on the System of Governance

ARAG SE has structured its system of governance in such a way that its business activities can be managed soundly and conservatively in line with the business and risk strategies. The sections below describe the structure of the Company's Management Board and Supervisory Board, provide an overview of the system of governance, and assess whether this system is adequate.

Management Board and Supervisory Board

Management Board

The Management Board manages the business of ARAG SE in accordance with legal requirements and the Company's articles of incorporation. As part of its overall responsibilities, the Management Board ensures that there is an orderly system of governance in place, so that it

- is effective and – in terms of its nature, scope, and complexity – is commensurate with the Company's business activities;
- ensures compliance with laws, regulations, and regulatory requirements;
- ensures sound and prudent management of the Company;
- has an adequate, transparent organizational structure with clearly allocated and separated responsibilities;
- has an effective inhouse communications system;
- is regularly reviewed.

As of December 31, 2024, the Management Board of ARAG SE had six members.

The responsibilities were allocated as follows:

- Dr. Renko Dirksen (Speaker of the Management Board): responsible for Central Group Functions
- Dr. Matthias Maslaton: responsible for Group Sales, Products and Innovation
- Wolfgang Mathmann: responsible for Group Finance
- Dr. Shiva Meyer: responsible for Group Human Resources/Group Internal Audit
- Hanno Petersen: responsible for Group IT and Operations
- Dr. Joerg Schwarze: responsible for Group Risk Management and Group Controlling

The Group Executive Committee (GEC) is a groupwide body that manages and monitors the international branch business of the operating management company, ARAG SE. It also serves as a platform for sharing all information about the insurance business in Germany and abroad and about the performance of the business. Group strategy as well as guidelines, policies, and standards are discussed in the GEC.

Together with the members of the Management Boards of the other ARAG Group companies, the Management Board has set up the Risk Committee to help it to fulfill its risk management duties. To ensure the regulatory requirements concerning the use of a partial internal model are met in day-to-day operations, the Risk Committee has set up a subcommittee, the Internal Model Committee.

ARAG SE does not currently have an independent remuneration committee within the meaning of article 275 (1) (f) of Delegated Regulation (EU) 2015/35 (the Delegated Regulation). The size of the Company (particularly the number of employees) in relation to the internal structure means that, at the moment, the organization itself is able to help the Management Board and the Supervisory Board to supervise the remuneration guidelines and policies as well as the way they are put into practice and how they function. Therefore, it does not appear to be necessary to appoint an independent remuneration committee.

Supervisory Board
The Supervisory Board is responsible for appointing and monitoring the Company's Management Board. There were changes to the Supervisory Board during the reporting period. Effective December 19, 2024, the number of Supervisory Board members was increased by three to a total of twelve in line with a corresponding rule in the employee participation agreement. Professor Dr. Claudia Eckert, Professor Dr. Christian Zwirner, and Anja Wolter joined the board on December 19, 2024. As of December 31, 2024, the members of the Supervisory Board were as follows:
- Dr. Dr. h. c. Paul-Otto Faßbender (Chairman)
- Gerd Peskes (Deputy Chairman)
- Kirsten Rose (Deputy Chairwoman, employee representative)
- Professor Dr. Tobias Bürgers
- Professor Dr. Claudia Eckert (since December 19, 2024)
- Dr. Michael Pielorz
- Professor Dr. Fred Wagner
- Dr. Sven Wolf
- Professor Dr. Christian Zwirner (since December 19, 2024)
- Marco Hoogendam (employee representative)
- Wolfgang Platen (employee representative)
- Anja Wolter (employee representative) (since December 19, 2024)

To facilitate the decision-making process, the Supervisory Board has delegated individual tasks to the Finance Committee, Accounting and Audit Committee, and Human Resources Committee.

By the nature of its remit, the Finance Committee deals mainly with transactions that require approval according to the Company's articles of incorporation and the Management Board's rules of procedure. Such transactions include investment decisions, fundamental strategic decisions on asset allocation, and business decisions involving the Company's portfolio. The committee also deals with the approval of loans to members of the Management Board and other employees in senior positions (Prokuristen).

The Accounting and Audit Committee is responsible for advising on financial reporting, tax law, corporate planning, risk management, solvency, and the timely implementation of the related regulatory requirements. Furthermore, it monitors the awarding of contracts for non-audit services to the Company's current auditor and to firms that might potentially become the Company's auditor in the future. It is also responsible for the invitation to tender and short-listing for the appointment by the full Supervisory Board of a new auditor.

By the nature of its remit, the Human Resources Committee deliberates primarily on personnel matters relating to the members of the Management Board. As well as appointing, dismissing, and reappointing Management Board members, this also involves discussing the remuneration system, target achievement, and evaluation of targets.

Key functions

The establishment of controls in the Company lies at the heart of the system of governance. These controls are mainly carried out by the four key functions: risk management/independent risk control function (IRCF), compliance, internal audit, and the actuarial function. As these functions are kept strictly separate from the operational departments as far as Management Board level, they can perform their duties objectively and independently. Moreover, they have a direct reporting line to the ARAG SE Management Board member with relevant responsibility and can also communicate directly with the Supervisory Board. The employees in these functions have the knowledge they need to be able to carry out their tasks adequately. The duties of the four key functions are briefly described below. Detailed information can be found in chapters B.3 to B.6.

Risk management/independent risk control function
The tasks of the risk management function are performed by the Group Risk Management Central Department. As part of the risk management system that is in place, this department is primarily responsible for the risk management process, which includes submitting regular reports to the Management Board. Operational management of risk is carried

out by the relevant process owners in compliance with internal rules. All risk-relevant decisions to be made by the Management Board must take into account the information from and opinions of the Group Risk Management Central Department.

Compliance

The tasks of the compliance function are performed by the Group Legal/Compliance Central Department. The main duty of the function is to create the framework for compliance with the obligation to operate within the law, for example by issuing policies and guidelines, in order to ensure legal requirements are fulfilled and corporate objectives are achieved. Responsibility for drawing up and implementing specific guidelines and policies lies with the manager of the relevant individual department. The Chief Compliance Officer advises the Management Board on the risk resulting from changes to the law and submits regular reports on the work of the Group Legal/Compliance Central Department to the Management Board.

Internal audit

Internal audit tasks are performed by the Group Internal Audit Central Department. This department is a process-independent function that examines and assesses structures and activities within the Group. Auditing is carried out on behalf of the Management Board and covers all processes relating to business operations. Group Internal Audit has to assess and evaluate the integrity, propriety, effectiveness, efficiency, and adequacy of the internal control system (ICS). Audit findings are made available to the members of the Management Board in the form of an audit report.

Actuarial function

The tasks of the actuarial function are performed by the Actuarial Function Central Department. It is essentially responsible for verifying the methodology used to calculate the technical provisions and for ensuring the adequacy of both the underwriting and contracting policy and the reinsurance policy. This includes verifying the methods applied, the assumptions made, and the data used. The central department's responsibilities also include validating the partial internal model. It submits reports on its findings to the Management Board and the supervisory authority.

Information on remuneration guidelines and policies

As a core element of the Company's system of governance, the remuneration of the members of the governing bodies – and that of all those working for the Company – is based on the principles of appropriateness and transparency and is focused on sustainability.

This includes ensuring that the remuneration of members of governing bodies and employees is consistent with market rates and individual performance, and therefore appropriate. Those responsible for remuneration in the Company monitor remuneration levels in the relevant market and make adjustments accordingly, taking account of the performance of the individual employees and members of the governing bodies.

Transparency means that the general principles of the remuneration policy are disclosed to all employees. But it also means that the remuneration structures are designed to be only as complex as necessary and as simple as possible.

To ensure that the remuneration policy is compatible with the Company's sustainable development, the remuneration structure is adequately aligned with the Company's business strategy and risk profile.

As a company that takes the long view, ARAG SE attaches great importance to forward-looking risk management that takes both existing and emerging risks into account. It ensures that any events or circumstances that could have a substantially negative effect on the assets, profitability, or reputation of ARAG SE are identified, analyzed, and assessed through the risk management process that is in place and that is managed by designated process owners.

This includes ensuring that risks for the Company arising in relation to remuneration are managed effectively. The Company relies in part on the structure of remuneration as a whole to achieve this, for example the proportion of fixed salary to variable remuneration at the relevant management levels, the structure of variable remuneration (target categories, close caps on target achievement, etc.), and related governance measures.

The remuneration of the Company's **Management Board members** comprises a fixed basic salary and a variable element and is in line with regulatory requirements. In particular, the basic salary is set at a level that ensures the members of the Management Board are not heavily reliant on the variable component. This is especially important to ensure that the variable component rewards good performance but does not create such a significant incentive that it could encourage actions counter to the interests of the Company.

The variable element is equivalent to a percentage of the basic salary. No share plans or share option programs are offered anywhere in the ARAG Group. Against this background and with a view to ensuring that the Company offers attractive, market-level remuneration, the variable element of the remuneration for Management Board members is set at 60.0 percent of basic salary and is subdivided into short-term and long-term components. For all Management Board members, the long-term component of variable remuneration equates to 60.0 percent and, in accordance with article 275 (2) (c) and (f) of the Delegated Regulation, is deferred and takes into account the outcome of a review to establish whether there is any requirement for a potential downward adjustment as a result of exposure to current or future risks.

The targets relevant to variable remuneration are based on a mixture of objective Group and company key performance indicators drawn from the strategic planning and of individual targets for each member of the governing body. The weighting of the targets is defined beforehand. Target achievement in respect of each target is capped at predefined limits. The variable remuneration never exceeds the basic salary.

If members of the Management Board of ARAG SE simultaneously hold Management Board or senior management positions in subsidiaries of ARAG SE, they do not receive any additional remuneration for these activities. However, such multiple roles can be acknowledged in the various categories within target agreements related to the variable remuneration granted under the principal employment contract. In this case, particular attention is paid to ensuring that this does not give rise to conflicts of interest.

If an individual does hold such multiple positions or fulfill multiple roles, a proportion of the costs is passed on to the relevant company by the company responsible for paying the remuneration.

If members of the Management Board of ARAG SE are also members of a Supervisory Board or administrative board of a subsidiary of ARAG SE, they receive fixed remuneration for these activities, but this remuneration is offset against the remuneration for the Management Board activities.

Supervisory Board members receive fixed remuneration for their work. Where members do other work within the Group, individual arrangements are in place to determine whether remuneration for this work is offset against their Supervisory Board remuneration.

Unless **employees** of insurance companies in the Group are granted variable remuneration components under pay agreements or other collective agreements on a non-discretionary basis, employees receive such variable remuneration when they reach a certain management level or if they are part of a defined function group or employee group.

The variable remuneration for managers and the defined function/employee groups is based on annual target agreements, which include objective Group and/or Company and/or division key performance indicators and/or individual targets. The variable element is equivalent to a percentage of the basic salary and varies depending on management level, function, and country.

The variable remuneration never exceeds the relevant basic salary. Target achievement is capped at predefined limits. The basic salary for the postholders concerned is set at an appropriate level to ensure that they are not substantially dependent on the variable remuneration components. Once again, the variable remuneration must encourage good performance but not create such a significant incentive that it could encourage actions counter to the interests of the Company.

Variable remuneration granted to individuals responsible internally for **key functions** follows the general principles for managers described above. Care is taken to ensure that the targets relevant to this variable remuneration are designed such that the variable remuneration is independent of the performance of the operating units and divisions that are supervised by the function holder concerned.

Variable remuneration granted to individuals responsible internally for key functions ranges from 15.0 percent to 35.0 percent of their basic salary, depending on the postholder concerned. As part of the Company's obligation to work toward compliance, deferred payment of 40.0 percent of their variable remuneration was agreed for all postholders with one exception. To date, no arrangement has been made with this remaining postholder for a partial deferral of payments.

Where subsidiaries of ARAG SE have outsourced key functions to ARAG SE, the persons responsible for these key functions at ARAG SE do not receive any additional remuneration for performing this work.

The Company grants **members of the Management Board** who were appointed to this role for the first time prior to January 1, 2020 and their surviving dependants rights to a retirement pension, a widow's/widower's pension, and an orphan's pension. The retirement pension is calculated as a percentage of pensionable salary, which equates to the basic salary (excluding bonuses, remuneration in kind, etc.). There is also a cap on the absolute maximum amount.

The widow's/widower's pension is equivalent to two-thirds of the retirement pension; the orphan's pension for each child is equivalent to one-third of the widow's/widower's pension. The total of the surviving dependants' pensions is limited to the amount of the retirement pension. If, as a result of the limitation, this pension commitment is no longer considered adequate or in line with the market, it is supplemented by a pension commitment based on defined contributions in a fixed amount. It is paid into a Group benevolent fund reinsured with matching policies. Members of the Management Board who were appointed to this role for the first time after January 1, 2020 are granted a pension commitment based on defined contributions. The pension contribution forms part of the contract of employment and is paid into a Group benevolent fund reinsured with matching policies.

No early retirement arrangements have been made with **Management Board members**. However, the Company is entitled to make them retire five years before the standard retirement age with the contractually agreed deductions. The Management Board members do not have a corresponding right themselves.

The information provided about remuneration for Management Board members who simultaneously fulfill roles for the subsidiaries of ARAG SE applies analogously to pension and early retirement agreements.

Supervisory Board members do not receive any supplementary pensions.

Persons responsible for **key functions** receive an occupational retirement pension, the amount and extent of which is determined by the management level of the person concerned and standard market practice. No early retirement arrangements have been made.

Material transactions

Information on material transactions with shareholders, persons able to exercise significant influence over the Company, or members of the administrative, management, or supervisory bodies can be found in chapter A.1.

Significant changes to the system of governance

No significant changes were made to the system of governance in the reporting period.

Adequacy of the system of governance

The ARAG Group's system of governance facilitates sound, prudent management of the insurance business and is commensurate with the nature, scope, and complexity of the Group's activities. It is regularly reviewed and modified, if required.

The Group has an appropriate organizational structure and an effective information system with clear lines of reporting. There are written guidelines covering the key elements of the system of governance and also detailed descriptions of the key functions, including the roles of the Management Board and Supervisory Board. In addition, the system of governance includes an appropriate remuneration system, business continuity plans, the implementation of the 'fit and proper' requirements, a risk management system (including the own risk and solvency assessment), an internal control system, the establishment of key functions, and rules governing outsourcing.

B.2 Fit and Proper Requirements

The Company's Fit&Proper guidance specifies requirements, responsibilities, and processes to ensure that senior managers, Supervisory Board members, persons responsible for key functions, and their employees are always professionally and personally suitable ('fit and proper') for the roles concerned. The main points are set out below.

Management Board members and CEOs of branches in the European Economic Area (EEA)
To ensure they are fit for the role in terms of their professional suitability, members of the Management Board are required to have the professional qualifications, knowledge, and experience that ensures they can manage the Company soundly and prudently at all times. This calls for adequate theoretical and practical knowledge of insurance business and, in the case of managerial tasks, for sufficient leadership experience. Management Board members must be familiar with all of the material risks to which the Company is exposed and must be able to assess their potential impact.

Besides having the essential expertise in the individual areas for which each Management Board member is responsible, the Management Board as a whole must, as a minimum, have knowledge, skills, and experience pertaining to insurance and financial markets, business strategy and business models, the system of governance, financial analysis and actuarial analysis, the regulatory framework, and the regulatory requirements. Knowledge of the internal model used by the Company is also required. In addition, each Management Board member must have adequate knowledge of IT in view of the related risks and opportunities. The individual members of the Management Board are each expected to have not only specialist knowledge of the areas for which they are responsible but also adequate knowledge in all of the aforementioned areas. This is so that they can monitor each other's work.

Many years of experience working in the insurance industry or in another financial services company are crucial requirements for this role, as are managerial experience and the willingness to undertake continuing professional development.

The aforementioned qualifications apply analogously to the CEOs of the Company's branches in the EEA. Their knowledge must relate primarily to the particular branch for which they are responsible. They also need to know about the domestic market in which their branch operates.

A standard benchmark is used to assess whether Management Board members and CEOs of EEA branches are personally suitable for their role.

Someone is assumed to be of good repute ('proper') if there is nothing to indicate the contrary. Someone is assumed not to be of good repute if, based on general life experience, their personal circumstances justify the assumption that these circumstances might negatively affect the careful and proper performance of their role or of the tasks assigned to them. The factors considered are personal behavior and business conduct with regard to criminal-law, financial, property-law, and regulatory aspects. The laws of both Germany and other jurisdictions are taken into account.

The Company's Supervisory Board assesses whether a potential Management Board member meets the 'fit and proper' requirements. Using a pre-prepared requirements profile, the assessment of professional suitability is based on personal interviews, candidates' CVs (which should be informative and, in particular, contain details of all previous jobs), and associated documents. Good repute is verified by obtaining a criminal records check – or, where appropriate, equivalent documentation from other countries – and an extract from the central register of companies and by having candidates complete, sign, and submit to the Company a form containing a personal declaration and details about their good repute. The Company reserves the right to request additional documents, if necessary.

The Company's Management Board assesses whether Branch CEOs meet the 'fit and proper' requirements. In other respects, the information pertaining to Management Board members applies analogously.

Supervisory Board members

The members of the Supervisory Board must have the necessary knowledge, skills, and experience to be able to perform their monitoring role. They must always have the expertise needed to adequately monitor and oversee the Management Board and to actively support the Company's growth. Each member must therefore understand the Company's business and be able to assess the relevant risks. They must also be familiar with the main statutory requirements applicable to the Company. The individual members are not required to have specialist knowledge. However, they must be capable of identifying when they need to take advice and of obtaining this advice. In any case, the expertise of the Supervisory Board as a whole must cover investments, underwriting, financial reporting, auditing, internal models, and partial internal models. Having the necessary professional suitability entails undertaking continuing professional development.

Before the Annual General Meeting appoints someone to the Supervisory Board, both the potential Supervisory Board member and the Supervisory Board that proposed the candidate are expected to make sure that the potential member is sufficiently qualified. The special requirements published by the German Federal Financial Supervisory Authority (BaFin) apply to employee representatives.

With regard to the assessment of whether someone is of good repute, the information pertaining to Management Board members/Branch CEOs applies analogously.

Key functions

The people responsible for key functions must have extensive knowledge and many years of experience of working in their particular field. All individuals in such roles must also be familiar with the legal parameters relevant to their position, the Company's organization and system of governance, and its business model. In addition, the people in key functions must have very good knowledge of the relevant operating processes, business systems, and the insurance industry.

The minimum initial requirements in terms of specialist expertise for any appointment to a role with internal responsibility for a key function are described below:

- Risk management: Actuarial or business management skills and qualifications and/or comparable academic qualifications are required. In particular, persons appointed to such roles are expected to have in-depth knowledge of relevant risk parameters, risk types, and valuation methods applicable to insurance business. Knowledge of all regulatory requirements pertaining to risk management is absolutely essential.
- Actuarial function: An individual responsible for this key function must have very well-honed actuarial and financial mathematics expertise together with a good level of business management knowledge. This expertise is normally acquired through a university degree in mathematics or through comparable training. The person concerned must also be a member of the German Association of Actuaries (DAV), be able to provide evidence of equivalent professional status, or be prepared to combine work with study to obtain DAV membership or equivalent professional status.
- Compliance: The postholder must have a university degree in law or business management as well as specialist compliance expertise evidenced by professional development documentation or previous employment in this area of activity. They must continually keep abreast of statutory requirements and be able to demonstrate expertise, in particular, in the following areas: regulation, company law, and capital markets law, as well as competition and antitrust legislation.
- Internal audit: To ensure they are fit for the role in terms of professional suitability, the person responsible for this key function must hold a university degree in economics or business administration, or have undergone equivalent training, and must be able to demonstrate professional experience built up over a number of years. They must also have knowledge of the insurance industry, financial reporting, and business organization. In-depth know-how relating to auditing standards, auditing methodology, and audit-related software is a further prerequisite.

In all cases, people responsible for key functions must have a sufficient level of management experience for these positions. Because of the overlapping nature of many areas of the business, it is important that they have not only extensive knowledge of the work carried out in their own central department but also adequate knowledge of other departments with which they come into contact. It is essential that they are willing to undertake continuing professional development.

Job applicants must submit a detailed CV so that their career history and relevant previous experience can be examined. For both internal and external candidates, recruitment is based on a structured assessment process in which internal and external auditors assess their specialist and interdisciplinary qualifications in an assessment center. Each candidate's professional suitability is assessed individually, taking all the circumstances into consideration. The Company's Management Board is responsible for assessing whether the persons responsible for key functions meet the 'fit and proper' requirements.

If outsourcing officers are appointed, the same fundamental requirements apply. However, the critical factors here are the requirements profile and, particularly in the case of internal candidates, relevant prior experience.

With regard to the assessment of whether someone is of good repute, the information pertaining to Management Board members/Branch CEOs applies analogously.

It is the responsibility of the person responsible for a key function to assess the professional suitability of the employees working in the function or of candidates for relevant positions on the basis of suitable documentation or the day-to-day work carried out by the employee and to ensure that employees undertake regular professional development so that they always have the expertise they need to carry out their tasks. It is also the responsibility of employees themselves to keep up to date with the latest information. Professional development activities are documented.

With regard to the assessment of whether the people responsible for key functions and the employees working in these functions are of good repute, the same standard applies.

Continuing professional development as an ongoing process

The responsible departments in the Company check whether all of the aforementioned members of governing bodies and postholders undertake the continuing professional development necessary to satisfy the requirements of their position. The professional development activities undertaken are documented.

Cause for reassessment

The Company's Fit&Proper guidance defines the intervals for regular assessment and the circumstances that will result in a reassessment of whether someone is deemed 'fit and proper'.

The general rule regarding professional suitability is that the type and extent of any action to be taken by the Company depend on the supposed/actual shortcoming of the individual member of a governing body or holder of a key function. For example, they may be asked to undergo further training in a particular subject area. In extreme cases, however, the Company may consider removal from office or dismissal.

Doubts about personal suitability are investigated without delay. If there are circumstances that, based on general opinion, indicate that someone is not of good repute, the appropriate people within the Company will take immediate action. This action depends on the specific case in question and, above all, on the severity of the alleged or proven misconduct and may be temporary or permanent.

B.3 Risk Management System Including the Own Risk and Solvency Assessment

The assumption of risk is the core business of ARAG as an insurer. This means that its activities aimed at achieving its strategic business objectives naturally involve taking on risks in order to achieve the desired success. To deal with these risks, ARAG has implemented a risk management system, the main elements of which are the risk strategy, a system of limits, a process for own risk and solvency assessment (ORSA), and the operational risk management process, comprising the identification, analysis, measurement, management, monitoring, and reporting of risk.

Implementation of the risk management system

Risk strategy
The Management Board specifies the risk strategy on the basis of the business strategy. As well as providing the framework for how the risk management system is configured from an operational and organizational perspective, it also creates the basis for an appropriate risk culture within the Company (tone from the top). It is formulated in such a way that it provides a basis for the operational management of the risks. The risk strategy also contains rules on risk-bearing capacity in the form of minimum coverage ratios that are determined by business policy requirements and are set by the Management Board based on its risk appetite. The risk-bearing capacity is used to define limits for operational risk management. The risk management processes are described in the guidance for the risk management system.

The risk strategy is reviewed at least once a year to ensure it is aligned with the business strategy and risk profile. It is adjusted if required. Adjustments to the strategy must be approved by the Management Board.

Risk-bearing capacity and limit system
The risk-bearing capacity describes the extent to which potential losses from the assumed risks can be offset by own funds. From a regulatory perspective, the Company has risk-bearing capacity if the solvency capital requirement does not exceed the value of eligible own funds, i.e. the regulatory coverage ratio is at least 100.0 percent. The minimum coverage ratio in the business policy expresses the maximum extent to which the Company is prepared to take on risk to achieve the objectives specified in the business strategy. ARAG SE has set a minimum coverage ratio in the business policy both for the current time and for the period covered by the strategic planning. Due to ARAG SE's conservative risk and solvency policy, this ratio stands at 150.0 percent. The Company therefore aims to maintain a risk buffer that is higher than the regulatory requirement.

ARAG SE's limit system provides an additional means of monitoring the risk-bearing capacity as it looks at the risk contribution from individual risk categories. Limits are set at the level of the risk categories (including sub-risks) based on the Management Board's risk appetite. The limit system must be strictly adhered to when the strategic asset allocation is set and in strategic planning. The utilization of the limits is calculated during the year so that an assessment can then be made as to whether further risks can be assumed, risks need to be reduced, or an adjustment to the limits is required. These calculations also take account of changes to own funds. A traffic light system is used, for both risk-bearing capacity and the limits at risk category level. The system enables ARAG to identify changes in the utilization of limits in good time and initiate corrective measures if necessary.

Risk management function/IRCF
The Group Risk Management Central Department is responsible for implementing the risk management system. Group Risk Management is separate from the operational departments with profit-and-loss responsibility up to Management Board level. The Chief Risk Officer is responsible for the implementation of the risk management system in all Group companies. The Chief Risk Officer is a member of the Management Board of ARAG SE and responsible for Group Risk Management and Group Controlling. By reporting regularly to the Management Board, Group Risk Management ensures comprehensive transparency with regard to the risk position and any changes to the risk position. 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 the central department also includes developing and operating models for determining risk-bearing capacity, the solvency capital requirement, and the allocation of solvency capital (limit system).

Operational management of risk is carried out by the managers and process owners in those departments where the risks occur (first line of defense; see also B.4). The roles and responsibilities of all the people involved in the process, such as those of the members of the Management Board, managers, and local and central risk managers, are clearly defined and documented in the Company's risk management system guidelines.

Risk management process

Risk identification
The aim of risk identification is to identify the emergence of new risks or changes in existing risks at an early stage and to assess them 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, measured and, where required, submitted to the Management Board for decision using appropriate cross-functional review processes, such as the new-product process. Corresponding processes are in place for new investment products and reinsurance instruments. These procedures are also integrated into the existing limit and monitoring processes.

Risk analysis
To ensure risks are managed appropriately, the influencing factors determining the relevant exposures on the Solvency II balance sheet are examined. These influencing factors are regularly validated to check that they are appropriate for the measurement of risk. Risks that are not explicitly quantified in the calculation of the solvency capital requirement (one-year horizon) are analyzed as part of the ORSA process.

Risk assessment
All identified risks are regularly assessed using suitable methods and on the basis of systematically captured and continually updated data.

The key element in this process is the solvency capital requirement, which is calculated for all downside risk. A partial internal model is used to quantify the solvency capital requirement. The model shows the potential loss from the risk exposures that, with a probability of 99.5 percent, will not be exceeded within a holding period of one year. This loss could arise, in particular, as a result of unfavorable movements affecting investments or as a result of unexpected developments in the insurance business. The methodology is regularly reviewed using suitable validation tests. Potential risks that are hard to quantify and do not form part of the solvency capital requirement are primarily measured as part of the ORSA process.

Risk management
The Company's approach is to manage risk where it arises (first line of defense). Operational management of risk is thus carried out by the managers and process owners in those departments where the risks occur. Risk management consists of implementing measures to reduce, mitigate, transfer, and diversify risks.

Risk monitoring and reporting
Changes in the risks and adherence to the prescribed limits are examined as part of risk monitoring. The results are presented in the quarterly risk report. A risk/measures inventory is created for operational risks, also on a quarterly basis. The results of the ORSA process are documented in the annual ORSA report.

Unexpected or extreme events can also affect the risk profile. Ad hoc reports are submitted if this is the case.

Own risk and solvency assessment (ORSA)

Insurance companies are required to carry out an own risk and solvency assessment (ORSA) at regular intervals. The ORSA primarily involves measuring all risks associated with a company's business activity and business strategy and determining/assessing the resulting capital requirements (overall solvency requirement).

The annual review of the ORSA policy, which sets out the framework for each ORSA process, provides the starting point for all regular ORSA processes. A qualitative risk analysis is then carried out; this takes the form of an assessment by the managers involved.

Another analysis relates to the Solvency II balance sheet, which is material to calculating the solvency capital requirement and serves as the basis for projecting the balance sheet line items and related solvency capital requirement.

Stress tests are carried out in the form of sensitivity and scenario analyses in order to ascertain whether ARAG SE is economically robust and to determine potential impacts of adverse scenarios.

The risk model used is also evaluated, whereby the evaluation is based on the results from validating the internally modeled components and from assessing the assumptions used in the standard formula.

The Management Board is responsible for the annual ORSA process and takes a lead role in ensuring it is carried out. Using suitable budgeted figures, the Solvency II balance sheet and the solvency capital requirement are projected beyond the strategic planning period. The results of the risk analysis and the projections are used to determine the overall solvency requirement, which may differ from the solvency capital requirement.

All results are aggregated in the ORSA report and signed off by the Management Board.

The ORSA process is the link between the risk management system and the Company's capital management. The ORSA report describes the extent to which the Company can bear its risks over the planning horizon. The comparison between the overall solvency requirement and eligible own funds provides an indication of future coverage. The Management Board can then use this information to assess whether there may be a need for action regarding the level and structure of own funds and the structure of the risk profile. This may involve the implementation of measures related to capital management and/or adjustments to the risk positioning. In addition to workshops at which the Company's risk position is discussed with the Management Board members, the Management Board also makes decisions on key elements of the ORSA process (e.g. stress tests). The Management Board is thus always aware of, and able to influence, relevant developments affecting the risk profile. In the event of a significant change to the risk profile, the Management Board must trigger an ad hoc ORSA process.

Governance of the partial internal model

The Management Boards of the operating companies in the ARAG Group have formed a Risk Committee in order to incorporate the partial internal model into corporate management. The Risk Committee's main task is to assist the individual Management Boards with performing their risk management tasks in accordance with all statutory and internal requirements. In particular, this includes the establishment and monitoring of the group-wide risk management system. To ensure the regulatory requirements concerning the use of a partial internal model are met in day-to-day operations, the Risk Committee has set up a subcommittee, the Internal Model Committee. The Risk Committee and Internal Model Committee act in both an advisory capacity and a decision-making/monitoring capacity that are clearly defined in internal policies and guidance.

A regular validation process ensures that ARAG SE's partial internal model is always effective and its specifications are appropriate. Responsibility for validating the model lies with the Actuarial Function Central Department. By assigning the task of model validation to this department, ARAG SE ensures the necessary independence of the validation process.

Validation involves using qualitative and quantitative processes to check whether the results and forecasts of the partial internal model are sufficiently accurate. Both the mathematical and statistical methods used in the model and the governance processes relating to the partial internal model are verified. At the end of the annual validation cycle, the actuarial function submits a comprehensive validation report to the ARAG SE Management Board, which evaluates whether the partial internal model is suitable for measuring solvency in accordance with Solvency II and can be used as a basis for management decisions and corporate management.

Should it be necessary to modify the model as a result of the validation or for other reasons, these changes are carried out using a process that is defined in the model modification policy. Firstly, in accordance with regulatory requirements, the Internal Model Committee classifies the change as either a major or a minor model modification. Model enhancements are not the responsibility of the Internal Model Committee. In such cases, a process to obtain new authorization from BaFin must be initiated. Major model modifications must be approved in writing by the Management Board and then submitted to BaFin for authorization. Minor model modifications are approved and initiated by the Risk Committee on the recommendation of the Internal Model Committee. All approved changes must be implemented without delay. BaFin is informed in writing on a quarterly basis of any minor model modifications that have been applied. The actuarial function carries out an ad hoc validation process to analyze major model modifications. BaFin is informed in good time if there are any plans for major model modifications. This ensures that the partial internal model is accurately tailored to the Company's circumstances at all times.

B.4 Internal Control System

Internal control system

Definition and tasks

The ARAG Group defines the internal control system (ICS) as follows: "The internal control system refers to all control and monitoring mechanisms as well as other measures that help to support the effectiveness and profitability of business activities and to identify and minimize risk at an early stage. It also ensures compliance with the applicable laws and regulations, all regulatory requirements, and internal rules."

The ICS has a consistent structure throughout the Group, ensuring that the connected systems and reports in the Group can be verified.

It is based on the principles, functions, processes, measures, and policies implemented by the Management Board and on statutory and regulatory requirements that ensure the decisions of the Management Board are implemented operationally. The ARAG Group pursues four main objectives with the ICS:

- The ICS is designed to create and maintain compliance with an organizational framework that ensures that statutory and, in particular, regulatory requirements are implemented.
- The ICS is designed to help with identifying and reducing risks that may jeopardize the continued independence of the ARAG Group.
- The ICS is designed to create the regulatory environment required for use of the partial internal model under Solvency II.
- Thanks to a functioning operational and organizational structure, the ICS contributes to effective and profitable business activities.

An organizational structure that is transparent and appropriate to the Company's risk profile requires tasks and responsibilities to be clearly defined and delineated. Clear rules have to be imposed about who in the Company is responsible for tasks and who is responsible for signing off decisions. Above all, conflicts of interest between the establishment of risk exposures and the monitoring and control of these exposures must be avoided.

Organizational structure of the ICS

The Management Board occupies a special position within the organizational structure because it is responsible for ensuring an orderly and effective system of governance and thus for ensuring that the Company's risk management system and its ICS are appropriate and effective. This means that the Management Board is directly responsible for the ARAG Group's ICS. Vis-à-vis third parties, it is responsible for the appropriate specification of the ICS, i.e. its design, establishment, integrity, and monitoring as well as ongoing adjustments and refinements.

The Management Board has delegated the day-to-day running of the entire ICS to the responsible managers in the ARAG Group, i.e. the Senior Vice Presidents (in Germany) and Branch CEOs (internationally). The ARAG Group structures its ICS in accordance with the 'three lines of defense' model:

First line of defense The first line of defense is formed by all employees and managers in operational roles. Responsibility for risks and processes lies with the Senior Vice Presidents and Branch CEOs. If an organizational unit does not have a Senior Vice President, responsibility lies with the Vice President. The people in this first line are directly responsible for the risks and processes in their departments. In the risk control process, the risk managers are responsible for identifying and evaluating the risks in their area.

Second line of defense The monitoring of the business and central units is carried out by various interdisciplinary functions (Group Controlling Central Department, Group Legal/Compliance Central Department, Group Risk Management Central Department, Actuarial Function Central Department) that are also part of the organizational structure of the ICS. They specify standards for the design and monitoring of controls and for the handling of risk.

Third line of defense The Group Internal Audit Central Department conducts internal audits of the functions in the first and second lines of defense within the ARAG Group. The Group Internal Audit Central Department is also the internal auditor for the Group companies that have contractually appointed it to this role.

Operational structure of the ICS
As part of the ICS's operational structure, all activities, responsibilities, participating functions, and verification procedures for the processes relevant to the ICS are documented using a process and control system in the ADONIS tool. This provides an overview of the process architecture within the ARAG Group. An annual reapproval procedure ensures that all process documentation is up to date, accurate, and complete. Processes are classified as being relevant to the ICS on the basis of the following criteria:

- Processes that, if not implemented, will jeopardize the achievement of the ARAG Group's targets (e.g. due to high financial losses, significant loss of reputation, sanctions imposed by the supervisory authority)
- Frequent/high-volume processes (particularly those tying up a large amount of employee capacity)
- Processes relating to a department's main tasks
- Processes that have to be documented by law

Compliance

Because of their intangible nature, insurance products require customers to place a great deal of trust in their insurance company. The leap of faith that customers have to make is based on the expectation that ARAG SE as an insurance company will comply with the contractual arrangements and legal requirements and, moreover, will measure itself by its own high standards. Customers also need to be able to rely on the Company having adequate and systematic management, control, and sanctioning mechanisms in place to ensure that it lives up to its value proposition. The ARAG Group's compliance management system therefore focuses on fulfilling these objectives.

At Group level, the compliance function is part of the Group Legal/Compliance Central Department and is the responsibility of the Speaker of the Management Board. Although the Compliance Officer submits reports to the Management Board as a whole, this role is directly and exclusively accountable to the Speaker of the Management Board of ARAG SE. The main duty of the function is to create the framework for compliance with the obligation to operate within the law, for example by issuing policies and guidelines, in order to ensure legal requirements are fulfilled and corporate objectives are achieved. Responsibility for drawing up and implementing specific guidelines and policies lies with the manager of the relevant individual department. The Chief Compliance Officer advises the Management Board on the risk resulting from changes to the law and submits regular reports on the work of the Group Legal/Compliance Central Department to the Management Board.

The risk management/IRCF, compliance, and internal audit functions regularly share information with each other. This helps to ensure a risk-appropriate compliance structure, avoid duplication of work, and take account of the findings of the other functions when action is to be taken. Furthermore, the compliance function is regularly audited by the internal audit function.

At Group level, there is also a Compliance Steering Group to which the managers in the following areas belong (or can be involved in if required):

- Group Chief Information Security Officer (optional)
- Group Internal Audit Central Department
- IT Security (optional)
- Corporate Communications (optional)
- Group Risk Management
- Tax/Purchasing Central Department (optional)

This committee holds interdisciplinary discussions on compliance-relevant matters and coordinates management measures. If required, the steering group can be expanded to include other managers or reduced in size to make it more efficient.

B.5 Internal Audit Function

The Group Internal Audit Central Department is an instrument of the Management Board, to which it is directly accountable and to which it reports. It is assigned to the Management Board member responsible for Human Resources/Group Internal Audit at ARAG SE under the schedule of responsibilities and is bound only by the instructions of the Management Board.

The Group Internal Audit Central Department assists the Management Board of ARAG SE with corporate management and helps it to fulfill its managerial and monitoring duties. This department ensures that auditing activities are carried out professionally and in a manner appropriate to the risk situation, in relation to both the Company's targets and its operations.

Following the orders issued by the Management Board, Group Internal Audit examines the operational and organizational structure as well as the ICS for all operating and business processes from a risk perspective.

The Management Board ensures that internal audit carries out its duties autonomously and independently of the units that it audits, particularly in respect of its audit planning, audit procedures, and evaluation of audit results.

To ensure that it is able to fulfill its role and responsibilities properly, the Group Internal Audit Central Department does not get involved in operational processes. Its employees must not be assigned tasks that would conflict with the central department's independence within the ARAG Group, nor are Group Internal Audit's employees allowed to carry out non-auditing work or operational activities. Moreover, Group Internal Audit itself does not have any authority to issue instructions to employees in other departments.

To avoid conflicts of interest, Group Internal Audit does not perform any audit procedures relating to projects. Instead, its involvement in projects is limited to an advisory role, in particular regarding the design of the ICS. Employees in the Group Internal Audit Central Department do not sign off the results of projects or subprojects. This safeguards their independence and ensures they do not have any responsibility for the outcome of the projects in question.

B.6 Actuarial Function

The actuarial function is directly accountable to the member of the Management Board of ARAG SE responsible for Group Risk Management and Group Controlling.

The actuarial function acts independently of the units at ARAG SE with profit-and-loss responsibility. Its core tasks include ensuring that the methods, models, and assumptions used to calculate the technical provisions are appropriate. In addition, it ensures the appropriateness of ARAG SE’s underwriting, contracting, and reinsurance policies. The actuarial function has also been assigned responsibility for validating ARAG SE’s partial internal model, so it plays an important part in implementing the risk management system.

To ensure that they are able to fulfill the tasks assigned to the actuarial function adequately, the head and employees of the actuarial function must be able to communicate with all relevant employees at ARAG SE independently. They therefore have unrestricted access to the information that they need to complete their tasks and are notified of relevant matters promptly, including on an ad hoc basis if necessary. Each year, the actuarial function submits a report to the Management Board containing information about the results of its work over the year. Above all, this report provides evidence that the appropriateness of ARAG SE’s technical provisions, underwriting and contracting policies, and reinsurance agreements is assured. Besides this general reporting channel, the head of the actuarial function is also able to report directly to the Management Board and Supervisory Board of ARAG SE if necessary.

B.7 Outsourcing

In accordance with section 7 no. 2 of the German Insurance Supervision Act (VAG), ARAG SE defines any kind of outsourcing as “an agreement in any form between an insurance company and a service provider, on the basis of which the service provider carries out a process, service, or task directly or by outsourcing it to another company that the insurance company would otherwise carry out itself; the service provider may or may not be subject to regulatory supervision”. This includes services previously carried out by the insurance company itself and services that the insurance company could carry out itself.

Apart from the Management Board’s primary tasks, in particular ensuring a proper system of governance and making strategic decisions, all activities can in principle be outsourced. Third parties can only be involved with the Management Board in an advisory or support capacity.

Every outsourcing project must be assessed to establish whether it involves the outsourcing of a function or typical insurance activity subject to the regulatory outsourcing requirements. Section 32 VAG specifies that this includes functions (actuarial function, compliance, risk management, and internal audit) and insurance activities (e.g. policy management and claims handling) subject to enhanced requirements where the insurance activities concerned are classified as important (e.g. due to the scope of the outsourced activity). The outsourcing of functions is always classified as important. If a project is to be classified as ‘outsourcing’, there must always be a relationship between the outsourced function or activity and the insurance business. This applies regardless of whether the service provider is an external company or a Group company. Where outsourcing within the Group takes place, no less care is taken in respect of the outsourced projects and their monitoring and control, for example by the service provider's dedicated points of contact. Outsourcing within the Group may justify a more flexible approach in individual cases if this involves fewer risks than with outsourcing to an external company. Nevertheless, it is still essential that service activities in the individual Group companies are adequately separated from an organizational perspective.

The outsourcing of a key function represents a special situation, however. In this case, the Management Board has to appoint an outsourcing officer for the outsourced function who is responsible for the proper performance of the key function by the service provider and has to meet the 'fit and proper' requirements because of their monitoring role.

In view of the legal requirements, an internal policy is in effect that sets out minimum criteria that must be met when considering outsourcing projects. It also contains rules regarding the assignment of responsibilities, authorization levels, and accountability. The principle of proportionality must be applied for each project. This means there are no fixed scopes of assessment. Instead, the requirements have to be proportionate to the risks. In general, ARAG SE ensures that outsourcing never has an adverse impact on the proper performance of the outsourced functions or insurance activities, on the Management Board's ability to manage and control them, or on the supervisory authority's ability to verify and control them. It also ensures that the service provider can be monitored at any time by the supervisory authority.

ARAG SE does not outsource the key functions of risk management, compliance, internal audit, and the actuarial function. All four key functions are carried out independently of each other within the Company.

Use was made in the reporting year – in compliance with all legal requirements – of the option of outsourcing individual insurance activities. However, these were exclusively instances of partial outsourcing that did not affect the internal decision-making powers in the individual units.

B.8 Any Other Information

The preceding chapters contain all of the important information about the system of governance.

C. Risk Profile

The following chapter describes the risk profile of ARAG SE, which is influenced by the risks associated with the business strategy and the business itself. There are no material risks arising from off-balance-sheet exposures.

Events and developments with a general impact, such as flatlining growth and geopolitical uncertainty, may affect the Company's risk profile. Based on current assessments, there was no significant change to the Company's risk profile during the reporting period. Adequate capacity to assume risk continues to be maintained in full.

C.1 Underwriting Risk

Risk exposure

Underwriting risk is the risk from an adverse change in insurance claims. It can arise from pricing that is subsequently found to be inadequate or from provisioning assumptions that require adjustment. The associated losses result from the following risk categories:

- Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the duration of claims settlement and the amount involved
- Catastrophe risk and accumulation risk: significant uncertainties regarding the volume or frequency of claims arising from extreme events
- Lapse risk: incidence of customers exiting their contracts early that is above the expected lapse rate

The solvency capital requirement for underwriting risk went up from €173,052 thousand as of December 31, 2023 to €229,503 thousand as of December 31, 2024, an increase of €56,451 thousand or 32.6 percent. The increase was attributable to a rise in premium and reserve risk that was largely due to the acquisition of DAS UK Holdings Ltd. (see chapter A.1). The biggest sub-risks were accumulation risk, premium risk, and reserve risk.

Risk measurement

Risks are measured with an internal model. Using simulations, possible losses and adverse changes in liabilities that could occur within a one-year observation period are forecast. The measured amount of risk equates to the 99.5 percent quantile. Individual sub-risks are measured separately. For premium and reserve risk, the policies and insured risks are aggregated into groups of risks sharing similar characteristics. These are then used as the basis for simulations of future claims and/or required additions to reserves. Likewise, catastrophe risk and accumulation risk are assessed by simulating potential accumulation losses in the legal insurance business. Lapse risk is calculated on the basis of historical data. The actual underwriting risk arises from the aggregation of the individual risks, taking diversification effects into account.

There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration
The Company focuses on small-scale insurance business for private customers and small businesses. It has a large portfolio of products and does not underwrite serious or industry risks. This should avoid concentrations of risk. In individual cases, unfavorable timing in the occurrence of claims could lead to a concentration of catastrophe risk or accumulation risk. The limit system ensures that the underwriting risk as a whole and its sub-risks remain limited in the Company's risk profile.

Risk mitigation
The Company uses outward reinsurance in the form of an excess of loss treaty as a measure to restrict the risks.

Risk sensitivity
In the reporting period, various sensitivity analyses were carried out as of June 30, 2024 as part of the own risk and solvency assessment (ORSA) process. A baseline scenario, which reflected the best estimates for actuarial parameters, was produced first. Then the impact of the claims ratio and the cost ratio rising on a linear basis by up to 20.0 percent in 2027 was examined. Disregarding additional compensatory payments under the existing profit-and-loss transfer agreement with ARAG Allgemeine, these changes caused the coverage ratio, compared with the baseline scenario, to decrease by no more than 31.0 percentage points to 279.9 percent in the calculation for 2025.

C.2 Market Risk

Risk exposure
Market risk is the risk of adverse changes to market prices of assets, liabilities, and financial instruments. The risk arises directly or indirectly from the following sub-risks:
- Interest-rate risk: changes in the term structure or volatility of interest rates
- Equity risk (including equity investments): changes in the level or volatility of the market prices of equities
- Property risk: changes in the level or volatility of the market prices of real estate
- Credit risk (attaching to investments): changes resulting from investments in default (default risk), changes in the level or volatility of credit spreads over the risk-free interest-rate term structure (spread risk), and changes resulting from the migration of investments to different credit ratings (migration risk)
- Currency risk: changes in the level or volatility of exchange rates

The solvency capital requirement for market risk went up from €564,736 thousand as of December 31, 2023 to €645,751 thousand as of December 31, 2024, an increase of €81,015 thousand or 14.3 percent. The biggest sub-risks were equity investment risk and credit risk (attaching to investments).

Risk measurement
Risks are measured with an internal model. An economic scenario generator is used to simulate capital market scenarios looking at factors such as interest rates, share prices, real estate prices, credit spreads, credit ratings/defaults, and exchange rates. These risk factors are used to determine the possible fair values of investments in one year's time. The market risk itself – when all risk factors are considered simultaneously – equates to the difference between the performance expectation and the 99.5 percent quantile of the distribution, taking diversification effects into account.

There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration

The Company applies the prudent person principle to its investments. This requires an appropriate diversification of the portfolio, as a result of which risk concentrations are generally restricted. The Company's limit system takes into account the individual risk profile of the investment and prevents a concentration of the sub-risks, which the Company would not be able to bear. The actuarial function has classified concentration risk as not material and monitors it regularly. The limit system also ensures that market risk as a whole does not exceed an undesirable level in the risk profile of the Company.

Risk mitigation

The regulatory requirements for implementing the prudent person principle form the framework for the risk mitigation measures. At strategic level, risk is limited by virtue of the fact that, at ARAG SE, market risk limits are taken into account when determining the strategic asset allocation each year. Adherence to the limits is reviewed every quarter. A focus on a target portfolio that is steady over a number of years and an annual review of the asset/liability management (ALM) situation at individual company level also ensure that these risk mitigation measures remain effective over the long term.

Operational measures to mitigate risk are set out in the investment guidelines. These specify that derivatives can only be used to hedge market risk.

Risk sensitivity

A capital market stress scenario was examined as part of the ORSA process in order to take account of potential economic fallout from a renewed escalation or prolongation of geopolitical tensions. To this end, a baseline scenario that reflected the best estimates for relevant parameters was produced as of June 30, 2024. The capital market stress scenario was designed to simulate the sudden onset of stress in 2025. Material assumptions were a strong rise in interest rates, particularly in the short-dated segment, a significant widening of spreads, a notable collapse in the stock markets and in private equity investments, and a fall in the value of real estate. For 2025, the analysis showed that these changes would cause the coverage ratio, compared with the baseline scenario, to decrease by 48.0 percentage points to 263.0 percent.

Another scenario analysis carried out as part of the ORSA process examined the impact of the long-term risks associated with climate change on the Company's investment portfolio. These climate change risks relate, for example, to additional costs resulting from political decisions on carbon emissions and costs resulting from extreme weather events. At the same time, profits can be made due to technological advances. The analysis was undertaken for several scenarios and took into account the pace of climate change and its relationship with greenhouse gas emissions and the global business processes that lead to those emissions. The analyses performed showed that the potential loss of own funds from climate change would be tangible but would not endanger ARAG SE's risk-bearing capacity.

C.3 Credit Risk

Risk exposure
While counterparty default risk attaching to investments is determined as part of market risk, counterparty default risk in the insurance business is treated separately. Counterparty default risk in the insurance business largely arises in connection with receivables from reinsurers and receivables from policyholders/insurance brokers.

The solvency capital requirement for credit risk rose from €23,688 thousand as of December 31, 2023 to €26,492 thousand as of December 31, 2024, an increase of €2,804 thousand.

Risk measurement
Risk is measured using the partial internal model and components of the standardized approach. The risk of default on receivables from reinsurers is measured on the basis of the information available and proportionality considerations. The reinsurers' individual credit ratings are explicitly used.

To measure the risk of default on receivables from policyholders and insurance brokers, a constant factor is applied to the fair value of the relevant exposures on the Solvency II balance sheet.

There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration
There was no material concentration risk.

Risk mitigation
Default risk in connection with reinsurance treaties is reduced in accordance with the reinsurance strategy, which is reviewed at regular intervals.

As regards counterparty default risk arising from the insurance business, receivables from policyholders are managed by means of an automated reminder and dunning process. Outstanding receivables from insurance brokers are offset.

Risk sensitivity
A separate stress test was not carried out for credit risk because of the relatively minor significance of credit risk in the overall risk profile of the Company.

C.4 Liquidity Risk

Risk exposure
Liquidity risk is the risk that insurance companies may be unable to realize investments and other assets in order to settle their financial obligations when they fall due. Liquidity risk is therefore a derived risk: It is a type of investment risk (assets are not liquid) and a type of underwriting risk (insurance benefits due for payment may exceed available liquidity).

As sufficient liquidity is available even in a liquidity stress situation (see the information on risk sensitivity), liquidity risk is not regarded as material.

Risk measurement
Liquidity risk is measured by calculating the monthly excess liquidity cover or liquidity shortfall on a rolling basis and, if required, carrying out a variance analysis. This process enables new information to be factored into the liquidity plan, ensuring the liquidity plan is always up to date. As a rule, the biggest shifts in the liquidity plan are triggered by external events (e.g. capital commitments being called) or internal decisions (e.g. timing of the disbursement of net income for the year or dividend payments, timing of capital expenditure). Liquidity planning is updated regularly so that ARAG has early warning of whether it will require liquidity in the coming months. ALM is used to determine the liquidity requirement over the medium to long term. There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration
A risk concentration could arise if the Company had to simultaneously settle an increased number of liabilities because of disasters or accumulation events. Tight counterparty and issuer limits restrict the liquidity risk for individual issuers, such that a concentration of liquidity risk is unlikely.

Risk mitigation
Liquidity is managed not only by setting liquidity limits but also by updating the liquidity planning regularly. The Company thus has early warning of whether it will require liquidity in the coming months. In particular, changes resulting from internal decisions can be managed within a narrow timeframe and are accompanied by proactive internal communications with the relevant departments, enabling the liquidity plan to be adapted accordingly with regard to how liquidity can be used. These types of plan shifts do not have a structural impact on the liquidity profile. External events are taken into account appropriately, primarily by regularly modeling how capital commitments are called and incorporating the results into the liquidity planning.

Changes in the liquidity plan and bottlenecks are offset by acquiring assets for the investment portfolio or selling such assets. To ensure the Company can meet its payment obligations at all times, most investments are made in the ‘available-for-sale at short notice’ liquidity class. If it became apparent that selling securities was also becoming more difficult, the Company would respond by increasing the liquidity that it held as a safety buffer.

A medium- to long-term liquidity summary at individual company level was prepared as part of ALM. The effectiveness of risk mitigation techniques is reviewed annually so that structural variances can be identified and their use adjusted accordingly.

Risk sensitivity

Sensitivity analyses were carried out as part of ALM in order to ensure appropriate liquidity levels even in the event of a business downturn. This involved examining how constraints on the ability to liquidate certain asset classes and any potential markdown would impact on the realizable market values of fungible investments. Liquidity was found to be sufficient in all of the analyses carried out.

Profits contained in future premiums

The expected profits included in future premiums represent a fairly illiquid component of basic own funds. These profits are therefore associated with a potential liquidity risk. Even if the expected profits contained in future premiums are not factored into basic own funds, the resulting liquidity risk is still classified as very low because of the significant excess cover. The expected profits included in future premiums amounted to €156,236 thousand.

C.5 Operational Risk

Risk exposure

Operational risk is the downside risk arising from inadequate or failed internal processes or systems, employee misconduct, or unexpected external events that disrupt or even prevent business operations. It also includes losses from cyber risk. In addition, operational risk encompasses legal risk but does not include reputational risk or risks arising from strategic decisions.

The solvency capital requirement for operational risk rose from €36,728 thousand as of December 31, 2023 to €43,821 thousand as of December 31, 2024, an increase of €7,093 thousand.

Risk measurement

The Company uses the standard formula to determine the solvency capital requirement. Measurement for operational purposes is carried out qualitatively on the basis of two dimensions: probability of occurrence and impact. The gross and net values are recorded for each dimension in this context. The gross values are the values before implementation of possible measures to mitigate the risk; the net values are the values after implementation of the chosen measures. As risks are measured using subjective estimates carried out by experts, a loss event database is used as an additional instrument to help determine the values. This contains data on all loss events that have occurred and their actual impact. Material operational risks are also included in the qualitative risk analysis in the ORSA process.

There were no significant changes in the risk measurement methodology in the period under review.

Risk concentration
The Company is not exposed to any operational risk that would lead to an unsustainable loss. There are contingency plans in place, for example in the area of business continuity management, for risks that could have an impact on the entire Company.

Risk mitigation
Specific measures are agreed upon and carried out at operational level in order to reduce the identified risks. With regard to cyber risk, these risk mitigation measures include information technology security measures and insurance solutions. Additional measures have been taken to counter the potential impact from a cyberattack. These include, for example, the definition of appropriate countermeasures as part of a business continuity management system. The implementation of each strategy used is continuously monitored to ensure the measures taken to reduce the risk remain effective on an ongoing basis.

In the event of business interruption due to an electricity outage for an extended period, for example, the steps required to mitigate the immediate impact on operations are documented in business continuity manuals. Business interruption insurance has been taken out in order to limit the financial consequences.

Legal risk encompasses the risk of violations of the law and the risk resulting from changes to the law. Internal training, monitoring, expert analysis and, for specific topics, the establishment of new processes are the measures implemented to mitigate the risk of the law being violated. To reduce the risk resulting from changes to the law, the legislation is monitored closely so that the Company can respond to any changes quickly and adequately.

Risk sensitivity
A separate stress test for operational risk was not carried out.

C.6 Other Material Risks

Strategic risks, reputational risks, and emerging risks

Strategic risks, reputational risks, and emerging risks are further risks specified in the Company's risk strategy. These risks are measured during the annual ORSA process. The risk categories described below do not encompass any risks to the Company's continued existence as a going concern.

Strategic risks
Strategic risks are the risks that arise from strategic business decisions. They also include the risk of failure to adapt business decisions in line with changes in the economic environment. Strategic risks are normally risks that occur in connection with other risks.

Reputational risks
Reputational risks are the risk of potential damage to the reputation of the Company arising from a negative perception of the Company among the general public (for example, among customers, business partners, authorities). Like strategic risks, reputational risks are normally risks that occur in connection with other risks.

Emerging risks
Emerging risks are risks that arise from changes in the socio-political or scientific/technical environment and that could have an impact on the Company's portfolio that is as yet unrecorded or unknown. The very nature of these risks means that there is a very high degree of uncertainty as to the probability of occurrence and the extent of potential losses.

Sustainability risks

Sustainability risks are events or conditions relating to the environment, social responsibility, or corporate governance (ESG) whose occurrence could have an adverse effect on the Company's net assets, financial position, and results of operations and on its reputation.

Rather than forming a separate risk category, sustainability risks may have an impact within the other familiar risk categories, such as underwriting risk, market risk, actuarial risk, liquidity risk, operational risk, strategic risk, and reputational risk.

Consequently, risk management at ARAG SE takes account of sustainability risks within the framework of the existing risk categories, with climate change risks being a key focus at present. For the Company, there is a particular risk to investments in connection with climate change. In the reporting year, the Company performed scenario analyses with respect to potential effects on the investment portfolio as part of the ORSA process. Further information on these analyses can be found in chapter C.2. 'Market Risk'.

Sustainability risks in the social and corporate governance spheres are also taken into account as the Company does not support those seeking to raise capital through investments that contravene standards of human rights, decent working conditions, or equal opportunities, or those that cannot document any steps they have taken to transform their activities in line with ESG considerations.

The transition to a sustainable society is one of the key tasks and challenges of the current age. A company's social responsibilities and its business activities are intrinsically linked. These are the foundations needed to successfully navigate this transformation and achieve the intended objectives. The ARAG Group is committed to this task and is taking a holistic approach that is focused on all three ESG spheres. This approach is also enshrined in the ARAG sustainability strategy and in the ARAG 5>30 corporate strategy.

C.7 Any Other Information

The preceding chapters contain all of the important information about the risk profile.

D. Valuation for Solvency Purposes

The following chapters explain how assets, technical provisions, and other liabilities are valued for solvency purposes (Solvency II or SII). The methods prescribed by the German Commercial Code (HGB) for the valuation of individual items are addressed in connection with the explanation of the valuation differences. The table below provides an initial overview for ARAG SE:

Total assets, technical provisions, and other liabilities

(€'000)	SII as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	SII as of Dec. 31, 2023	SII change
Assets	3,996,098	3,099,153	896,945	3,600,052	396,046
Technical provisions	1,340,798	2,087,506	– 746,709	1,050,794	290,003
Other liabilities	585,220	467,325	117,896	575,213	10,007
Excess of assets over liabilities	**2,070,080**	**544,322**	**1,525,758**	**1,974,045**	**96,035**

Key valuation bases for the economic values

The valuation of the Solvency II balance sheet requires a holistic, economic, and market-consistent approach. Financial assets and liabilities are therefore reported at market value (economic value).

In accordance with article 10 of Delegated Regulation (EU) 2015/35 (the Delegated Regulation), the economic values are determined using the following valuation hierarchy:

- Mark-to-market approach (level 1)
- Marking-to-market approach (level 2)
- Mark-to-model approach (level 3)

If, as of the reporting date, a price is quoted in an active market for the assets or liabilities to be valued (standardized approach), this is used for the valuation (level 1). Where it is not possible to determine the price with the aid of an active market, an economic value is determined on the basis of similar assets, with any necessary adjustments (level 2). Alternative valuation methods are used if it is not possible to determine an economic value for assets and liabilities using either the mark-to-market approach or the marking-to-market approach (level 3). Taking the nominal amount, amortized cost, or value derived from the adjusted equity method as the economic value represents a potential simplification. A representation of the main items aggregated according to the valuation hierarchy is shown in chapter D.4 'Alternative Methods for Valuation'.

Materiality and proportionality approach

This chapter outlines the key items under assets, technical provisions, and other liabilities where the valuation using the hierarchy and simplification method is considered material. The following distinctions are made:

- The explanation of the main items includes a description of how they are valued in accordance with Solvency II. Supplementary information on the aforementioned hierarchy method is provided on a case-by-case basis in the descriptions of how individual items are valued. Significant year-on-year changes in the SII value are also reported.
- Brief explanations are provided for other items that appear on the balance sheet but that are not material for the Company based on their valuation for regulatory purposes. No details are provided on year-on-year changes in the SII value as these are categorized as immaterial.
- Unlike in the cases above, no further descriptions are provided for all other items that are not recognized under Solvency II or did not exist as of the reporting date. These are shown with a zero value in the overview tables provided at the beginning of each subchapter.

Material changes compared with the prior year

In the reporting period, there were no changes in the valuation bases (including any estimates) described below that are used for the Solvency II balance sheet.

All quantitative disclosures can also be found in the quantitative reporting form in the appendix of this report.

D.1 Assets

Comparison between the Solvency II balance sheet and HGB balance sheet: Assets

Assets as of December 31

(€'000)	Solvency II as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	Solvency II as of Dec. 31, 2023	SII change
Goodwill	0	0	0	0	0
Deferred acquisition costs	0	0	0	0	0
Intangible assets	0	3,190	– 3,190	0	0
Deferred tax assets	0	0	0	0	0
Pension benefit surplus	0	0	0	0	0
Property, plant & equipment held for own use	47,354	39,435	7,920	50,087	– 2,733
Investments					
Property (other than for own use)	17,685	12,171	5,514	25,325	– 7,640
Holdings in related undertakings, including participations	1,444,326	536,834	907,493	1,339,628	104,698
Equities	0	0	0	0	0
Bonds	1,098,572	1,116,672	– 18,100	1,014,230	84,343
Collective investment undertakings	787,573	729,028	58,545	673,018	114,555
Derivatives	0	0	0	0	0
Deposits other than cash equivalents	35,511	35,511	0	45,153	– 9,641
Other investments	0	0	0	0	0
	3,383,668	**2,430,216**	**953,452**	**3,097,354**	**286,314**
Assets held for index-linked and unit-linked contracts	0	0	0	0	0
Loans and mortgages	7,351	7,097	254	5,902	1,449
Reinsurance recoverables	1,672	1,716	– 44	1,127	545
Deposits to cedants	246,196	307,642	– 61,447	65,439	180,756
Insurance and intermediaries receivables	117,123	117,123	0	111,387	5,736
Reinsurance receivables	47	47	0	16	31
Receivables (trade, not insurance)	59,457	59,457	0	46,522	12,936
Own shares (held directly)	0	0	0	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	0	0	0
Cash and cash equivalents	119,861	119,861	0	211,630	– 91,769
Any other assets, not elsewhere shown	13,369	13,369	0	10,588	2,781
Total assets	**3,996,098**	**3,099,153**	**896,945**	**3,600,052**	**396,046**

Deferred tax assets

International Accounting Standard (IAS) 12 requires deferred tax assets to be set up for temporary differences between the Solvency II balance sheet and the tax base that result from the recognition and valuation of assets, technical provisions, and liabilities.

In accordance with the option to net deferred tax assets and deferred tax liabilities under the guidelines of the European Insurance and Occupational Pensions Authority (EIOPA) on recognition and valuation of assets and liabilities (guideline 9, section 1.27), a deferred tax liability of €159,184 thousand was reported and is explained in chapter D.3 'Other Liabilities'.

Under the German Commercial Code (HGB), the excess deferred tax assets after netting are not recognized because the option available under section 274 (1) sentence 2 HGB has not been applied. Under Solvency II, the amount after netting is recognized under deferred tax liabilities.

Property, plant & equipment held for own use

The balance sheet line item 'Property, plant & equipment held for own use' comprises material property, plant, and equipment that is used by the Company for its own purposes and on a permanent basis.

Under Solvency II, fair values are used to determine the value of property held for own use. This differs from the approach taken under HGB, which is to value it at cost less depreciation. For the purposes of the Solvency II balance sheet, the value of the land is based on the prevailing standard land values. The value of the buildings is calculated using the income capitalization approach.

Plant and equipment held for own use is treated in exactly the same way for solvency reporting purposes as it is under HGB for reasons of materiality, low risk, and the disproportionate time, effort, and expense that would otherwise be involved. It is recognized at amortized cost on the HGB balance sheet and subsequently depreciated on a straight-line basis over the standard operating useful life.

Property (other than for own use)

This item includes all property that is held as a financial investment and is thus not intended for own use as well as buildings under construction that are earmarked for use by third parties after completion.

Fair values are used for Solvency II purposes. The economic values are revised annually by means of an internal assessment that takes the form of an update to the most recent external appraisal. The internal valuations are supplemented by external appraisals at intervals of no more than three years. In the event of a change in the portfolio, the valuation is carried out on the basis of an external appraisal. The value of the land is based on the prevailing standard land values. The value of the buildings is calculated using the income capitalization approach. This method discounts the expected future rental income less the likely management costs to the balance sheet date.

The fair value is the sum of the values of the land and the values of the buildings. Under Solvency II, land and buildings are categorized as either held for own use or rented out to third parties.

The valuation difference between the Solvency II balance sheet and the HGB financial statements arose because the historical cost convention, taking into account depreciation and write-downs, was applied in the valuation under HGB, whereas fair values were recognized on the Solvency II balance sheet.

Holdings in related undertakings, including participations

Related undertakings are companies that are majority owned by, or controlled by, another Group company. For simplification purposes, a participation is understood to mean ownership or control of at least 20.0 percent of the voting rights or share capital of an undertaking.

ARAG SE's main affiliated companies (related undertakings), including other equity investments (participations), as of December 31, 2024 are listed in chapter A.1 'Business'.

At the first valuation level, quoted market prices are taken as the economic value. As no quoted market prices (level 1) are available, the adjusted equity method is used as the alternative valuation method (level 3). Applying this method, the subsidiary's own funds under Solvency II are recognized on a pro rata basis and taken as the economic value.

As of December 31, 2024, the Solvency II carrying amount came to €1,444,326 thousand. The year-on-year increase of €104,698 thousand in the Solvency II carrying amount was mainly attributable to additions to the shareholdings and higher net asset values (NAVs) of some affiliated companies (related undertakings).

The difference between the carrying amount at cost on the HGB balance sheet and the fair value on the Solvency II balance sheet results from using different valuation methods. Under HGB, shares in affiliated companies (related undertakings), including equity investments (participations), are valued at cost and – where necessary – written down to their fair value. Write-downs are reversed to no more than the historical cost if the reason for recognizing them ceases to apply. The fair value is determined using an income capitalization approach based on a planning horizon of usually three years.

Bonds

(€'000)	SII as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	SII as of Dec. 31, 2023	SII change
Government bonds	373,275	376,291	– 3,015	336,806	36,469
Corporate bonds	725,297	740,382	– 15,085	673,898	51,399
Structured notes	0	0	0	3,525	– 3,525
Collateralized securities	0	0	0	0	0
Total	**1,098,572**	**1,116,672**	**– 18,100**	**1,014,230**	**84,343**

Bonds are debt securities through which a loan is raised on the capital market. Unlike personal loans, bonds are public instruments and can be issued only by legal entities. They encompass government bonds, corporate bonds, structured notes, and collateralized securities.

The economic values of interest-bearing financial instruments are calculated at the quoted market price or market value that contains the accrued interest income as of the valuation date. If no quoted market price or market value is available for valuation (level 1), the discounted cash flow method – applying risk-adjusted yield curves – is used as the alternative valuation method (level 3). Premiums and discounts are not recognized separately.

The year-on-year increase of €84,343 thousand in the Solvency II carrying amount was mainly attributable to additions of government and corporate bond holdings. This increase was also fueled to a lesser extent by a year-on-year rise in government and corporate bond prices.

The difference results partly from valuation on the HGB balance sheet in line with the discretionary principle of lower of cost or market value where the securities are held until maturity. It also results from recognition at fair value on the Solvency II balance sheet.

Collective investment undertakings

(€'000)	SII as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	SII as of Dec. 31, 2023	SII change
Equities	224,971	206,224	18,748	207,321	17,650
Bonds	467,107	428,181	38,926	429,859	37,248
Other	95,494	94,623	872	35,838	59,657
Total	**787,573**	**729,028**	**58,545**	**673,018**	**114,555**

The balance sheet line item 'Collective investment undertakings' includes equities and investment fund shares/units. These are investment companies or specific funds whose sole purpose is to invest pooled capital in securities and/or other financial assets.

For solvency purposes, the redemption price determined by the investment management company for the investment fund units/shares is used to determine the economic value. If no redemption price is available for valuation (level 1), the adjusted equity method is used as the alternative valuation method (level 3). This value is not restricted to the cost.

- Investment funds are generally, in accordance with EU Directives 2009/65/EC and 2011/61/EU, classified as collective investment undertakings or as alternative investment funds.
- In accordance with the Delegated Regulation, collective investment undertakings in which the stake held is more than 20.0 percent are reported under the line item 'Holdings in related undertakings, including participations'.
- If the stake in investment companies or other incorporated entities is no more than 20.0 percent, it is recognized under 'Unlisted equities'.
- If the stake cannot be assigned to either of these items, it is recognized under 'Other investments'.

As of December 31, 2024, the Solvency II carrying amount for collective investment undertakings was €787,573 thousand. The year-on-year increase of €114,555 thousand in the economic value was due to portfolio growth in the other investment segment and to price gains on equities and on government and corporate bonds. By contrast, there were disposals of derivatives and corporate bonds.

The valuation difference results from recognition at cost on the HGB balance sheet, based on the discretionary principle of lower of cost or market value due to designation as held for long-term investment, and recognition at fair value on the Solvency II balance sheet.

Deposits other than cash equivalents

This balance sheet line item comprises deposits other than cash equivalents that cannot be used on demand to settle payments and that cannot be converted into cash or transferred without restrictions.

Deposits other than cash equivalents primarily comprise bank deposits (call and term deposits) that have a corresponding contractual maturity. Due to the short-term nature of these assets, the nominal amount serves as a reliable proxy of the fair value in application of the principle of proportionality. As a result, the value under HGB and the value for solvency purposes are the same.

Loans and mortgages

(€'000)	SII as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	SII as of Dec. 31, 2023	SII change
Loans on policies	0	0	0	0	0
Loans and mortgages to individuals	67	67	0	86	– 20
Other loans and mortgages	7,284	7,030	254	5,816	1,468
Total	**7,351**	**7,097**	**254**	**5,902**	**1,449**

This item comprises loans on policies, loans and mortgages to individuals, and other loans and mortgages, i.e. financial assets that are created when a creditor lends secured or unsecured funds to borrowers.

As had also been the case a year earlier, a present value calculation was used to measure this item. Under HGB, the amounts are recognized at cost, adjusted for any permanent changes in value. The increase was largely due to the structuring and disbursement of a loan to an affiliated company in order to fund appraiser fees for customers.

Reinsurance recoverables

(€'000)	SII as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	SII as of Dec. 31, 2023	SII change
Non-life and health similar to non-life	**1,672**	**1,716**	**– 44**	**1,127**	**545**
of which: non-life excluding health	1,672	1,716	– 44	1,127	545
of which: health similar to non-life	0	0	0	0	0
Life and health similar to life, excluding health and index-linked and unit-linked	**0**	**0**	**0**	**0**	**0**
of which: health similar to life	0	0	0	0	0
of which: life excluding health and index-linked and unit-linked	0	0	0	0	0
Life index-linked and unit-linked	**0**	**0**	**0**	**0**	**0**
Total	**1,672**	**1,716**	**– 44**	**1,127**	**545**

This balance sheet line item records the reinsurers' share of technical provisions. It includes reinsurance/special purpose vehicle (SPV) recoverables, cash flows from reinsurance receivables, and cash flows from reinsurance liabilities.

On the HGB balance sheet, the reinsurers' share of technical provisions is deducted from the provision for unearned premiums and the provision for outstanding claims. The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements. The proportions of the provision for outstanding claims relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties.

On the economic balance sheet, the reinsurers' shares are aggregated. To determine the economic value, the reinsurers' pro rata share of the technical provisions is calculated using the reinsurers' best estimate in accordance with the underlying treaty. The reinsurers' share is determined on an individual claim basis in accordance with the contractual terms.

The year-on-year increase of €545 thousand in the economic value was due to ongoing business operations.

Applying the aforementioned valuation methods, the carrying amount on the Solvency II balance sheet as of December 31, 2024 was lower than the HGB carrying amount.

Deposits to cedants

Deposits to cedants comprise receivables for the underwriting liabilities in the inward reinsurance business. These deposits are largely repayable within twelve months.

As is the case under HGB, the nominal amount of deposits to cedants is generally used as their economic value. Due to the partial inclusion of cash flows when measuring the technical reserves that relate to the deposits to cedants, deductions of €61,447 thousand were made for recognition on the Solvency II balance sheet in order to avoid including cash flows multiple times. These deductions partly offset the year-on-year increase of €180,756 thousand in the economic value. These changes included €244,384 thousand from the new reinsurance treaty concluded between ARAG Legal Expenses Insurance Company Limited and ARAG SE.

Insurance and intermediaries receivables

This item comprises contractual claims for payment or for other benefits vis-à-vis policyholders and insurance intermediaries.

Because there is no active market for insurance[1] and intermediaries receivables, and because of the short-term nature of the receivables (due within twelve months), the materiality of the risk, and the disproportionate time, effort, and expense that would otherwise be involved, the nominal amount of the receivables is used as the economic value, which is also the case under HGB. Loss allowances are taken into account.

[1] Insurance receivables for the most part refer to receivables due from policyholders and insurance companies.

Reinsurance receivables

Included in this item are claims for payment or for other benefits arising from treaties with reinsurers.

There is also no active market for reinsurance receivables. On grounds of materiality, the carrying amount (nominal amount) can be used for receivables maturing within twelve months. If the maturity period of the receivables is longer (more than twelve months), the economic value is determined using the present value method. In the case of a reinsurance arrangement that is long term, renewed annually, and under which the deposits are regularly settled at the end of each year and reissued, the formal term of the treaty is taken to be the payment term.

In the event of actual default risk relating to rating downgrades, specific allowances are recognized in the amount that is no longer likely to be recovered. None of ARAG SE's reinsurance treaties have terms longer than twelve months, so the economic value is the same as the nominal amount under HGB.

Receivables (trade, not insurance)

This item comprises contractual claims against a debtor for payment or other benefits that are not related to insurance, for example receivables due from affiliated companies, tax assets, and interest and rent receivables that are due.

There is no active market in which receivables (trade, not insurance) can be traded on arm's-length terms between knowledgeable, willing parties. As is the case under HGB, the economic value is reported as the nominal amount reduced by allowances. With the exception of tax assets, these receivables are mostly classified as current (due within twelve months).

Cash and cash equivalents

The balance sheet line item 'Cash and cash equivalents' comprises demand deposits and cash on hand valued at their nominal amounts. It includes outstanding bank notes and coins used as general forms of payment. Also reported here are deposits that can be converted directly into foreign currency at their nominal amount on demand and without penalty or restriction.

The economic value of cash and cash equivalents (cash and demand deposits) came to €119,861 thousand (December 31, 2023: €211,630 thousand). The year-on-year decrease in the economic value was mainly attributable to lower current bank balances as of the reporting date.

Any other assets, not elsewhere shown

Assets that are not otherwise included in other balance sheet line items are recognized here. As is the case under HGB, the nominal amount is used as the economic value.

Please refer to chapter A.4 'Performance of Other Activities' of this report for disclosures relating to leases.

D.2 Technical Provisions

Comparison between the Solvency II balance sheet and HGB balance sheet: Technical provisions

Technical provisions as of December 31

(€'000)	Solvency II as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	Solvency II as of Dec. 31, 2023	SII change
Technical provisions – non-life					
Technical provisions – non-life (excluding health)					
Technical provisions calculated as a whole	0	1,960,846	– 1,960,846	0	0
Best estimate	1,295,510	0	1,295,510	1,016,980	278,530
Risk margin	45,288	0	45,288	33,814	11,474
	1,340,798	**1,960,846**	**– 620,049**	**1,050,794**	**290,003**
Technical provisions – health (similar to non-life)					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	0	0	0	0	0
Risk margin	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
	1,340,798	**1,960,846**	**– 620,049**	**1,050,794**	**290,003**
Technical provisions – life (excluding index-linked and unit-linked)					
Technical provisions – health (similar to life)					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	0	0	0	0	0
Risk margin	0	0	0	0	0
	0	**0**	**0**	**0**	**0**

→

→ Technical provisions as of December 31

(€'000)	Solvency II as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	Solvency II as of Dec. 31, 2023	SII change
Technical provisions – life (excluding health and index-linked and unit-linked)					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	0	0	0	0	0
Risk margin	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
	0	**0**	**0**	**0**	**0**
Technical provisions – index-linked and unit-linked					
Technical provisions calculated as a whole	0	0	0	0	0
Best estimate	0	0	0	0	0
Risk margin	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
	1,340,798	**1,960,846**	**–620,049**	**1,050,794**	**290,003**
Other technical provisions	**0**	**126,660**	**–126,660**	**0**	**0**
Total technical provisions	**1,340,798**	**2,087,506**	**–746,709**	**1,050,794**	**290,003**

Technical provisions

The valuation in accordance with HGB requirements and its results are described first. This is followed by an explanation of the regulatory valuation methods and their results.

As of the reporting date, the technical provisions in accordance with HGB amounted to €2,087,506 thousand (December 31, 2023: €1,766,377 thousand). In addition to unearned premiums of €303,982 thousand (December 31, 2023: €237,054 thousand), the HGB technical provisions included the provision for outstanding claims (gross) of €1,656,364 thousand (December 31, 2023: €1,420,029 thousand), the equalization provision of €125,471 thousand (December 31, 2023: €108,229 thousand), and the miscellaneous technical provisions of €1,689 thousand (December 31, 2023: €1,065 thousand).

Gross unearned premiums for direct insurance business are calculated pro rata for each individual policy on the basis of the premiums and lapses/cancellations posted, less the installment surcharges. The calculated unearned premiums are reduced by the income components intended to cover the acquisition costs. An individually determined proportion (international units of the Company) or a flat rate of 85.0 percent for direct business and 92.5 percent for inward reinsurance business (Germany) of the commissions and other remuneration for agents is recognized as a non-transferable income component. The gross unearned premiums for inward reinsurance business are recognized in accordance with the requirements of the primary insurer. The reinsurers' share of the unearned premiums is determined in accordance with the contractual agreements.

The provision for outstanding claims in relation to direct insurance business is recognized separately by event year for claims reported in the financial year concerned and for claims that have occurred up to the balance sheet date but have not yet been reported. A provision for claim settlement expenses is also recognized. These provisions are valued in accordance with prudent business practice, taking into account the ongoing need to satisfy the obligations under insurance contracts. Valuation is based on values as of the balance sheet date. The provisions are not discounted. The results from the group-based and individual valuations are reviewed on a portfolio basis using actuarial methods.

The provision for outstanding claims in the inward reinsurance business is recognized in accordance with the requirements of the primary insurer. In inward reinsurance business from the United Kingdom (some of the UK business) and Canada (all of the Canadian business), the provision for outstanding claims is checked for plausibility on the basis of past experience and statistics produced by the Company's own local claims settlement company and then adjusted if necessary.

Technical provisions – by Solvency II line of business

Technical provisions under SII

(€'000)	Best estimate Dec. 31, 2024	Risk margin Dec. 31, 2024	Best estimate Dec. 31, 2023	Risk margin Dec. 31, 2023
Legal expenses insurance	1,249,263	42,665	999,161	32,410
Assistance	21,732	1,589	11,857	1,111
Miscellaneous insurance	24,515	1,034	5,962	293
Total	**1,295,510**	**45,288**	**1,016,980**	**33,814**

Technical provisions – non-life (excluding health)

The individual components of the technical provisions under Solvency II are the best estimate and the risk margin.

For non-life insurance, the best estimate comprises the claims provision and the premiums provision, both of which include a provision for investment management expenses.

The claims provision is calculated for each homogeneous risk group of ARAG SE. It contains expected claim payments and claim settlement costs that are necessary for the settlement of claims already incurred. The claims reserve is valued using the standard actuarial reserving methods used in the market: the chain-ladder method, the additive method based on accident-year-independent growth of the claims ratio (AUSQZ), and the Bornhuetter-Ferguson method. ARAG SE underwrites risks in after-the-event (ATE) business in Canada and the United Kingdom. ATE business is fundamentally different from conventional legal insurance business and has a different premium and payout profile. Underwriting liabilities from ATE business are measured using a frequency-severity method that ARAG developed especially for this purpose. Alternative reserving methods may be used in exceptional cases. The New York method is used to value the claim settlement provision.

To take account of inflation levels, an addition to the claims reserve was calculated for the associated rise in claims expenses in the relevant risk segments. The amount of the addition was calculated for each individual risk segment and is based on internal and external information.

The premiums provision is made up of the provision for premiums written but not yet earned and the expected future profit or loss resulting from future payments under in-force policies. The provision for premiums written but not yet earned is recognized in the amount of the present values of the expected claim payments and costs (less commission) relating to the relevant policies. The expected profit or loss is determined for the outstanding premium income from in-force policies (installment payments and premiums from multi-year policies). In the premiums provision too, the inflation-induced rise in claims expenses continued to be taken into account, particularly for long-term policies.

The provision for investment management expenses is calculated as of the reporting date as the present value of the costs that will be incurred in the future for the management of investments in the amount of the remaining claims provision and premiums provision. This continues until such time as the insurance ends.

Pursuant to article 37 of the Delegated Regulation, the risk margin is calculated with the aid of an approximation method as described in article 58 of the Delegated Regulation and in the EIOPA guidelines on the valuation of technical provisions.

Other technical provisions

The other technical provisions[1] (miscellaneous technical provisions on the HGB balance sheet) primarily consist of the equalization provision of €125,471 thousand (December 31, 2023: €108,229 thousand). The equalization provision for direct insurance business and inward reinsurance business is recognized under HGB as additional actuarial reserves that can be used to offset fluctuations in the course of business. The calculation is carried out separately for the direct insurance business and for the inward reinsurance business, in each case broken down by class of insurance. These provisions are valued in accordance with the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

The lapse provision reported under miscellaneous technical provisions to cover the discontinuation or reduction of technical risk is recognized in the amount of the estimated requirement.

The provision for performance-based and non-performance-based bonuses and rebates was recognized at nominal value in accordance with the arrangements agreed with the policyholders in the insurance policies concerning the refund of premiums in travel insurance. The provision was recognized for the first time in an amount of €500 thousand.

As the Solvency II balance sheet is a static overview, no items to smooth out future fluctuations in the course of business are recognized under other technical provisions (the equivalent line item). For Solvency II purposes, lapse risk and litigation risk are already included in the best estimate item under technical provisions – non-life. Accordingly, there is no requirement to explain the year-on-year change here.

Reinsurance recoverables

For regulatory purposes, the gross provisions are reported on the liabilities side of the balance sheet without deducting reinsurance recoverables. However, the reinsurers’ share is reported as an asset on the other side of the balance sheet.

Retrospective and prospective markdowns are recognized to take into account the default risk on the part of reinsurers. In accordance with HGB, nominal amounts are recognized, these amounts being determined on the basis of the reinsurance treaties.

On the HGB balance sheet, technical provisions are recognized using a net approach in which the gross amount of the obligation is reduced by the portion covered by outward reinsurance. The difference between the Solvency II and HGB figures is attributable to this difference in the valuation methods.

[1] In accordance with the Solvency II structure.

On the Solvency II balance sheet, reinsurance recoverables are reported under assets (see chapter D.1 'Assets').

Reinsurance recoverables are of no material significance to ARAG SE. The reinsurers' share is determined in the partial internal model by applying the historical and current reinsurance treaties to the gross reserves.

Provisions assumptions

The claims provision recognized on the Solvency II balance sheet is a best estimate. It does not include any safety margins. The level of uncertainty in the provision estimate is quantified individually for each homogeneous risk group using a stochastic simulation as part of internal modeling.

The calculation of technical provisions is subject to some uncertainty because the actual level of claims incurred in the future may differ from current forecasts. The degree of uncertainty can be measured on the basis of the extent to which future cash flows can be predicted. Technical provisions are determined using a wide range of assumptions relating to future trends in claim payments and reported claims. Wherever possible, these assumptions are based on historical patterns or estimates drawn up by experts.

The level of uncertainty in relation to both the premiums provision and the claims provision is quantified individually for each homogeneous risk group. The assumptions made are regularly reviewed, particularly as part of the validation process, and the uncertainty inherent in the technical provisions can therefore be considered manageable from an overall perspective.

No transitional measures or volatility adjustments have been applied for calculating the technical provisions at ARAG SE.

D.3 Other Liabilities

Comparison of other liabilities on the HGB balance sheet and Solvency II balance sheet

Comparison of other liabilities on the HGB balance sheet and Solvency II balance sheet

(€'000)	Solvency II as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	Solvency II as of Dec. 31, 2023	SII change
Contingent liabilities	0	0	0	0	0
Provisions other than technical provisions	101,188	101,482	– 294	94,193	6,995
Pension benefit obligations	176,084	215,524	– 39,441	187,198	– 11,114
Deposits from reinsurers	0	0	0	0	0
Deferred tax liabilities	159,184	1,553	157,631	162,892	– 3,708
Derivatives	0	0	0	0	0
Debts owed to credit institutions	0	0	0	0	0
Financial liabilities other than debts owed to credit institutions	0	0	0	0	0
Insurance and intermediaries payables	91,031	91,031	0	49,216	41,815
Reinsurance payables	7	7	0	160	– 153
Payables (trade, not insurance)	57,441	57,441	0	50,984	6,457
Subordinated liabilities	0	0	0	30,298	– 30,298
Any other liabilities, not elsewhere shown	286	286	0	271	15
Total liabilities	**585,220**	**467,325**	**117,896**	**575,213**	**10,007**

Provisions other than technical provisions

These provisions are for payment obligations of uncertain timing or amount. If the liability is likely to be settled in more than twelve months, the provisions are discounted.

On the Solvency II balance sheet, provisions for long-service awards, early retirement obligations, and pre-retirement part-time employment obligations are valued using the projected unit credit (PUC) method in accordance with an IAS 19 curve. Unlike under HGB, the term structure used for discounting on the Solvency II balance sheet is determined on the basis of the yields achieved for senior industrial bonds on the balance sheet date. Expected growth in income (2.5 percent) and the Company's projections for staff turnover (1.5 percent) are taken into account. The amount calculated in this way equates to the economic value. The discount rate under HGB was 1.97 percent, whereas an IAS 19 curve was used for the economic value, which explains the valuation difference.

The provisions other than technical provisions are valued on the basis of the best estimate of the expected settlement amount. The residual maturity for all sundry other provisions is generally less than one year. On grounds of materiality, they are not discounted separately. Instead, the discounting applied for HGB accounting purposes is used. The economic values are therefore the same as the HGB carrying amounts.

Pension benefit obligations

Pension benefit obligations are net liabilities for the employee pension scheme, provided it is a direct pension entitlement scheme.

For the Solvency II balance sheet, pension benefit obligations are valued using the PUC method in accordance with an IAS 19 curve. Unlike under HGB, the term structure used for discounting on the Solvency II balance sheet is determined on the basis of the yields achieved for senior industrial bonds on the balance sheet date. Expected growth in income (2.5 percent), rising pension benefits (2.1 percent), and the Company's projections for staff turnover (1.5 percent) are taken into account. The amount calculated in this way equates to the economic value. The discount rate under HGB was 1.90 percent, whereas an IAS 19 curve was used for the economic value, which explains the valuation difference.

Deposits from reinsurers

Deposits from reinsurers are premiums that the reinsurer has provided to the primary insurer as collateral for the underwriting liabilities taken on in the inward reinsurance business.

There were no valuation differences between the Solvency II balance sheet and the HGB balance sheet because the maturity period did not exceed twelve months. The nominal amount was therefore used as the economic value.

Deferred tax liabilities

IAS 12 requires deferred tax liabilities to be set up for temporary differences between the Solvency II balance sheet and the tax base that result from the recognition and valuation of assets and liabilities.

If differences arise between the carrying amounts on the Solvency II balance sheet and those in the tax base and these differences are expected to reverse in subsequent years, deferred taxes are recognized on the Solvency II balance sheet in respect of these differences using separate entity-specific tax rates. This also includes differences for which the timing of the reversal is not yet precisely known, differences that depend on action by the entity concerned, or differences that will only reverse in the event of any liquidation. For the purpose of recognition on the Solvency II balance sheet, the effects of the reversal of the differences between the Solvency II balance sheet and the tax base are reviewed in terms of their impact on the basis of tax assessment.

Deferred taxes from tax group subsidiaries (companies controlled by the parent company and/or with which a profit-and-loss transfer agreement has been concluded) are recognized by the tax group parent because the income of the tax group is aggregated for tax purposes and taxed overall at the level of the tax group parent. This led to deferred tax liabilities of €10,482 thousand being transferred to ARAG SE from subsidiaries.

After netting in accordance with the guideline mentioned in chapter D.1 under 'Deferred tax assets', the deferred tax liabilities amounted to €159,184 thousand. This was mainly due to the deferred taxes resulting from the technical provisions (€144,356 thousand, netted) and to investments (€24,415 thousand, netted). Deferred tax liabilities are not discounted.

Insurance and intermediaries payables

All amounts due in connection with the insurance business to insurance companies, policyholders, and insurance intermediaries are reported under insurance and intermediaries payables[1].

ARAG SE's payables reported at their nominal amounts are thus valued at the amount at which they could be exchanged in an arm's-length transaction between knowledgeable, willing parties. In particular because of the short-term nature of the payables (due within twelve months) and the fact that counterparty default risk is taken into account (in the form of write-downs), these nominal amounts that are recognized serve as a suitable proxy for the economic value, as is the case under HGB. If the maturity period of the payable is longer (more than twelve months), the economic value is determined using the present value method.

The sharp increase of €41,815 thousand compared with December 31, 2023 was mainly due to a new reinsurance treaty that was entered into with a Group company with effect from January 1, 2024 but which for technical reasons was terminated with effect from December 31, 2024. The termination gave rise to a portfolio withdrawal and increased the net liability to the cedent.

Due to use of the nominal amount as the economic value, there are no valuation differences.

Reinsurance payables

Reinsurance payables comprise all amounts due in connection with the reinsurance business, excluding deposits.

Reinsurance payables are recognized at their settlement value. As they have no active market and because of the short-term nature of these liabilities (due within twelve months), the nominal amount can be used as a proxy for the economic value.

Due to use of the nominal amount as the economic value, there are no valuation differences.

Payables (trade, not insurance)

All non-insurance-related liabilities are reported under payables (trade, not insurance). This includes obligations to employees, suppliers, and public bodies.

As is the case under HGB, the economic value of those of a short-term nature (maturing within twelve months) is based on the nominal amount. If the maturity period of the payable is longer (more than twelve months), the economic value is determined using the present value method.

Due to use of the nominal amount as the economic value, there are no valuation differences.

[1] Insurance payables for the most part refer to liabilities to policyholders and insurance companies.

Subordinated liabilities

(€'000)	SII as of Dec. 31, 2024	HGB as of Dec. 31, 2024	Valuation difference	SII as of Dec. 31, 2023	SII change
Subordinated liabilities not in basic own funds	0	0	0	30,298	– 30,298
Subordinated liabilities in basic own funds	0	0	0	0	0
Total	**0**	**0**	**0**	**30,298**	**– 30,298**

These are liabilities that, in the event of insolvency or liquidation of the Company, will be paid only after all the claims of other, non-subordinated creditors have been settled.

The Solvency II carrying amount as of December 31, 2023 had related to a registered bond with a fixed term of ten years. This bond was repaid on July 29, 2024. Thanks to its ability to fund itself from its own resources, ARAG SE will not need to raise any further debt to fund its insurance business in the medium term.

Any other liabilities, not elsewhere shown

Included under this item are all liabilities that are not recorded in other balance sheet line items. They are generally current liabilities.

All non-interest-bearing liabilities are valued at their nominal amount. An economic value is taken as a proxy for those maturing within twelve months. For reasons of simplicity and materiality, liabilities to authorities are valued at their nominal amounts.

There are therefore no differences in their recognition and valuation on the HGB and Solvency II balance sheets.

Please refer to chapter A.4 'Performance of Other Activities' of this report for disclosures relating to leases.

D.4 Alternative Methods for Valuation

Alternative valuation methods are required if there are no active markets for assets, technical provisions, and other liabilities in which prices can be obtained. Active markets are essential for finding market prices. An active market is one in which homogeneous items are traded among willing buyers and sellers at publicly quoted prices.

If the criteria of an active market are not satisfied for the purposes of determining economic values using the mark-to-market approach (level 1) or the marking-to-market approach (level 2), alternative valuation methods are used (level 3).

Simplification techniques are applied under the alternative valuation methods. Article 9 (4) of the Delegated Regulation permits the use of proportionality, timing, and materiality as the central assessment criteria for use of a simplification.

The table below shows the main items aggregated according to the valuation hierarchy:

Main items according to the valuation hierarchy

(€'000)	Level 1	Level 2	Level 3
Holdings in related undertakings, including participations	0	0	1,444,326
Bonds	951,654	0	146,918
Collective investment undertakings	774,161	0	13,412
Cash and cash equivalents	0	0	119,861
Technical provisions – non-life (excluding health)	0	0	1,340,798
Total	**1,725,815**	**0**	**3,065,315**

In accordance with article 9 (4) of the Delegated Regulation, all the Company's other items are recognized – unless stated otherwise – at their economic value using the HGB valuation rules. To validate recognition of the relevant items at their nominal amount, ARAG SE uses an internal valuation hierarchy that is agreed with the external auditor and reviewed regularly.

No assumptions or judgments are made, including about the future or other major sources of uncertainty.

D.5 Any Other Information

Changes attributable to the other events described under 'Other events' in chapter A.1 potentially have consequences for ARAG SE's results of operations as well as its assets and liabilities. Material impacts, especially in relation to assets, are influenced by factors such as the capital market environment. Any changes that arise are reflected in the individual market values as of the reporting date. Depending on what changes, there could be a knock-on effect on the technical provisions.

ARAG SE is closely monitoring geopolitical uncertainty, such as the global crises, and other particularly significant influencing factors. However, it is difficult to predict their future impact on the valuation for solvency purposes.

Chapters D.1 to D.4 inclusive contain all of the important information about the valuation for solvency purposes.

E. Capital Management

E.1 Own Funds

Objectives, guidance, and procedures for managing own funds

In 2024, Solvency II balance sheets were prepared for the planning horizon on the basis of the budgeted results of operations.

Besides managing capital, capital management involves monitoring the solvency capital requirement and ensuring that ARAG SE has sufficient eligible own funds to cover the requirement. Capital management thus secures the Company's own funds base and identifies interdependencies between risk management and capital management in order to monitor, manage, and secure at all times the Company's capital requirements based on its risk exposure.

ARAG's internal capital management guidance, in particular, sets out the necessary measures for managing capital resources, ensuring solvency coverage, and reducing potential risk in line with the allocation of capital. The ARAG escalation path plays a key part in strengthening own funds by identifying any shortfall at an early stage, examining suitable options, devising corrective measures for own funds, and submitting them to the decision-making bodies for consideration. A distinction is made between strengthening own funds (actual) and reducing the solvency capital requirement (target) through risk mitigation.

ARAG distinguishes between the internal – specified in business policy – minimum coverage ratio (see chapter B.3 'Risk Management System Including the Own Risk and Solvency Assessment') and the regulatory requirement. The coverage ratio must not fall below the internal minimum coverage ratio.

If, contrary to expectations, a considerable fall in solvency coverage were to materialize, the Company would consider steps to increase own funds, such as an additional payment into the capital reserves, borrowing pursuant to section 89 (3) no. 2 of the German Insurance Supervision Act (VAG), or an increase in share capital, in addition to risk-mitigating procedures.

In 2024, the Company did not identify any need to strengthen components of basic own funds within its planning horizon. ARAG SE does not need to take any action at present.

Components and quality of own funds and other information regarding own funds

As of December 31, 2024, the Company held an excess of assets over liabilities of €2,070,080 thousand (December 31, 2023: €1,974,045 thousand) according to the Solvency II balance sheet. ARAG SE's minimum capital requirement (MCR) as of the reporting date was €251,788 thousand (December 31, 2023: €199,757 thousand) and the solvency capital requirement (SCR) was €670,230 thousand (December 31, 2023: €573,508 thousand).

For the reconciliation of net asset value (NAV) to eligible own funds (EOF), there was a deduction (ring-fenced fund) of €52,355 thousand in accordance with article 81 (1) of Delegated Regulation (EU) 2015/35 (the Delegated Regulation). According to the Management Board's proposal for appropriation of the profit recognized on the HGB balance sheet, a sum of €20,000 thousand will be distributed to shareholders as dividends.

This resulted in eligible own funds of €1,997,725 thousand to cover the solvency and minimum capital requirement (December 31, 2023: €1,903,371 thousand). All of the eligible own funds are classified at the highest quality level for own funds (Tier 1). ARAG SE has no own funds at the other quality levels (Tier 2 and Tier 3).

The equity on the HGB balance sheet can be reconciled to eligible own funds as follows:

Reconciliation of the equity on the HGB balance sheet to eligible own funds

(€'000)	Dec. 31, 2024	Dec. 31, 2023
Equity as of December 31 on the HGB balance sheet	**544,322**	**514,096**
Revaluation of investments with recognition of deferred taxes	936,957	851,851
Revaluation of technical provisions with recognition of deferred taxes	540,862	560,188
Revaluation of pension benefit obligations with recognition of deferred taxes	55,259	59,707
Revaluation of HGB deferred taxes	1,553	2,758
Revaluation of miscellaneous items with recognition of deferred taxes	1,609	1,399
Transfer of deferred taxes, particularly arising from the tax group	– 10,482	– 15,953
Excess of assets over liabilities according to the Solvency II balance sheet	**2,070,080**	**1,974,045**
Dividend distribution (foreseeable dividend)	– 20,000	– 20,000
Deduction (ring-fenced fund)	– 52,355	– 50,675
Total own funds as of December 31 that are eligible to cover the solvency capital requirement	**1,997,725**	**1,903,371**

Explanations of how the economic values of the individual items are determined are provided in chapter D. 'Valuation for Solvency Purposes' of this report.

Impact of the other events on own funds

The amount by which the other events described under 'Other events' in chapter A.1 affected the excess of assets over liabilities – particularly assets – came to around €13,027 thousand. The market value of the fixed-income securities (direct investments) rose by this amount due to lower interest rates compared with the prior year. No other influencing factors in relation to assets – including inflation – were explicitly identified.

Information on deferred taxes

ARAG SE netted deferred taxes in accordance with the guideline described in chapter D.1 'Assets'; in chapter D.3 'Other Liabilities', it only recognized deferred tax liabilities, which are not discounted.

The analysis of the recoverability of deferred tax assets was based on the timing of the reversal effects, with the time until reversal of the deferred tax expense shorter than the time until reversal of the deferred tax benefit. The expense thus materializes earlier than the benefit.

Deferred tax liabilities totaling €159,184 thousand were recognized in the table 'Reconciliation of the equity on the HGB balance sheet to eligible own funds'. The calculation of deferred taxes takes into account applicable tax legislation and tax rates. On this basis, there are no own funds that would have to be recognized under Tier 3.

Own funds reconciliation reserve

(€'000)	Total	Tier 1 own funds	Tier 2 own funds	Tier 3 own funds
Share capital	100,000	100,000	0	0
Share premium account related to ordinary share capital	0	0	0	0
Surplus funds	0	0	0	0
Reconciliation reserve	1,897,725	1,897,725	0	0
Reduction in restricted Group own funds	0	0	0	0
Adjustment for non-controlling interests	0	0	0	0
Basic own funds	**1,997,725**	**1,997,725**	**0**	**0**
Ancillary own funds	0	0	0	0
Ancillary own funds (subordinated liabilities)	0	0	0	0
Own funds as of December 31, 2024 that are eligible to cover the solvency capital requirement	**1,997,725**	**1,997,725**	**0**	**0**

The reconciliation reserve amounted to €1,897,725 thousand and predominantly consisted of HGB revenue reserves of €312,300 thousand and valuation differences of €1,525,758 thousand. As of December 31, 2024, the Company's eligible own funds were €94,354 thousand higher than they had been a year earlier. The main reason for this increase was that the assets, particularly investments (see chapter D.1 'Assets'), rose more sharply than the technical provisions and the liabilities.

All quantitative disclosures relate to the figures in the quantitative reporting forms set out in the Appendix.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

ARAG SE uses a partial internal model to calculate the solvency capital requirement. In this model, which has been approved by the supervisory authority, the modules for market risk, non-life underwriting risk, and counterparty default risk (where the risks are covered by the market risk module) are calculated using internal modeling. The other risk modules and the aggregation of the risk modules are based on the standardized approach.

The solvency capital requirement increased by 16.9 percent year on year, from €573,508 thousand to €670,230 thousand. Please refer to chapter C. 'Risk Profile' for further information on the changes in the individual risks. At 298.1 percent, the coverage ratio was significantly higher than the regulatory requirement and, in ARAG SE's view, constituted a substantial risk buffer, particularly for customers. As of the reporting date, the coverage ratio was 33.8 percentage points lower than the equivalent figure as of December 31, 2023 (331.9 percent).

Components of the solvency capital requirement

(€'000)	Dec. 31, 2024	Dec. 31, 2023
Market risk	645,751	564,736
Non-life underwriting risk	229,503	173,052
Counterparty default risk	26,492	23,688
Diversification	– 154,015	– 121,877
Basic solvency capital requirement	**747,731**	**639,599**
Operational risk	43,821	36,728
Loss-absorbing capacity of deferred taxes	– 121,322	– 102,819
Solvency capital requirement	**670,230**	**573,508**

Neither a simplified calculation of the SCR standard formula nor undertaking-specific parameters (USPs) are used in any of the modules.

The minimum capital requirement is calculated on the basis of the technical provisions (excluding the risk margin) and net premiums written in the past twelve months in each line of business. As of December 31, 2024, the minimum capital requirement was €251,788 thousand (December 31, 2023: €199,757 thousand), which resulted in a coverage ratio for the minimum capital requirement of 793.4 percent (December 31, 2023: 952.8 percent).

The final amount of the solvency capital requirement is still subject to verification by the supervisory authority. All quantitative disclosures relate to the figures in the quantitative reporting forms set out in the Appendix.

In the transition from the basic solvency capital requirement (BSCR) to the solvency capital requirement (SCR), a risk-mitigating effect from deferred taxes in an amount of €121,322 thousand was applied. This resulted solely from the netted deferred tax liability. Projected future profits are not factored in for the purposes of determining the loss-absorbing capacity of the deferred taxes. Further information on deferred taxes can be found in chapters D.1, D.3, and E.1.

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

Using the duration-based equity risk sub-module in the calculation of the solvency capital requirement is not relevant to ARAG SE.

E.4 Differences Between the Standard Formula and Any Internal Model Used

The Group's business model is one of the main reasons why a partial internal model is used for ARAG SE. ARAG SE's specific risk profile cannot be accurately reflected using the standard formula.

ARAG SE's partial internal model is based on the following internally modeled modules: market risk, non-life underwriting risk, and counterparty default risk (where the risks are covered by the market risk module).

Among other things, the partial internal model enables the Company to model the underwriting risks appropriately and on an individual basis, thus ensuring the Company can be managed adequately.

The internal modeling of market risk enables the scope and structure of the investment portfolio to be analyzed more accurately. Furthermore, the use of an economic scenario generator enables capital market risks to be depicted much more precisely than with the scenario-based key figures used in the standardized approach. This is particularly the case for the non-linear maturity profiles that can be found with callable bonds, for example, or for the valuation of government bonds.

The non-life underwriting risk module and the market risk module (including the counterparty default risk arising in connection with securities as part of credit risk) are in each case modeled up to the top module level as a distribution.

Both for market risk and underwriting risk, the results of the internal modeling represent an important basis for corporate management.

Probability distribution forecast

The internal modeling of market risk focuses on analysis of the interest-rate, spread, equity, real-estate, and currency sub-risks. The concentration sub-risk is implicitly analyzed in the spread module, but is not classified as material. However, changes in this sub-risk are regularly reviewed as part of the validation process. The analysis is carried out according to various criteria, such as asset class, currency area, maturity, and credit quality level. The underlying stochastic models used are generally accepted in financial mathematics. A critical factor in the calculation of risk is the calibration of the underlying risk factors and their dependencies. The calibration is carried out for each calculation reference date using the latest market data. Separate indices are calibrated on the basis of current risk calculations for relevant strategic equity investments in insurance companies within the ARAG Group.

Non-life underwriting risk comprises the following components: premium risk, reserve risk, accumulation risk, and lapse risk. Accumulations of legal insurance represent the catastrophe risk for a legal insurance company.

A critical factor in the calculation of risk is the calibration of the underlying risk factors and their correlations. Copula methods are the approach used to aggregate the distributions into an overall risk distribution for underwriting. The dependencies applied for this purpose are determined internally, supplemented with assessments drawn up by experts.

In the market risk and non-life underwriting risk modules, stochastic simulations are used to project the Company's own funds one year ahead without taking any tax effects into account. For the market risk and non-life underwriting risk modules, the solvency capital requirement is then based on the 99.5 percent quantile of the relevant loss distribution. A going-concern approach is assumed when determining underwriting risk. This means, in particular, that the forecast new business for the coming twelve months is included.

ARAG SE's underwriting portfolio is broken down into various segments according to management and risk considerations. This segmentation enables management-relevant information to be determined from the partial internal model and used for the management of the Company on a value-driven basis. The principle whereby homogeneous risk groups are modeled is also applied in this segmentation.

The individual market risk, non-life underwriting risk, and counterparty default risk modules are aggregated into the BSCR using a correlation approach. The overall solvency capital requirement is determined by adding the solvency capital requirement for operational risk calculated in accordance with the standard formula and by applying the risk-mitigating effect from deferred taxes. No capital add-ons are recognized.

Main differences between the internal model and the standard formula for each risk module

The differences between the internal model and the standard formula are explained below for each non-life underwriting risk sub-module.

Comparison between the market risk sub-modules in the internal model and the standard formula

Sub-module	Standard formula	Internal model
Interest rate	For each currency area, the risk-free interest-rate term structure is shifted upward and downward with maturity-dependent shocks, although negative interest rates are not shifted downward in the stress test.	A distribution for the underlying interest rate calibrated using current market data and for the resulting interest-rate term structures is simulated for each currency area and each maturity. Turns and bulges in the risk-free interest-rate term structure are observed in addition to shifts.
Spread	The market values of investments sensitive to spread risk are reduced by a factor dependent on asset class, credit quality level, and duration.	In the internal model, firstly, a distribution for the underlying spread calibrated using current market data is simulated for each investment class, credit quality level, and maturity. Secondly, a change in the risk classification and payment defaults are simulated for each issuer. In addition to corporate bonds, other items taken into account in this case (in contrast to the standardized approach) include cash exposures and government bonds.
Equities	A factor is used to stress the market values of all equity investments. A distinction is made between the following sub-modules: equity type 1 (including listed equities and strategic equity investments from an OECD or EEA country), equity type 2 (including equities from other countries, commodities, strategic equity investments), qualifying equity investments in infrastructure, and qualifying equity investments in infrastructure companies. The solvency capital requirements determined for these sub-modules are aggregated as the equity solvency capital requirement using a correlation approach.	A distribution of equity performance calibrated using current market data is simulated for Germany and Europe. A similar distribution for private equity investments and comparable asset classes is also simulated. Separate distributions of performance are calibrated and simulated for significant strategic equity investments.
Real estate	The market values of all real estate investments are reduced by a particular factor.	A distribution of real estate performance calibrated using current market data is simulated for Germany and Europe.
Currency	The market values of all assets and liabilities denominated in foreign currency are increased/decreased by a particular factor. This gives rise to a currency increase risk and a currency decrease risk for each currency area, reported as the corresponding loss of own funds.	A distribution for the change in the foreign currency/euro exchange rate calibrated using current market data is simulated for each materially relevant currency area.
Concentration	An additional risk capital requirement is calculated using a factor approach for exposures that exceed a specified percentage of the total portfolio.	Risk concentrations in bonds and cash exposures are taken into account in the spread module via the default distributions simulated for each issuer. There is no explicit calculation of concentration risk in the internal model.

The differences between the internal model and the standard formula are explained below for each counterparty default risk sub-module.

Comparison between the counterparty default risk sub-modules in the internal model and the standard formula

Risk module	Standard formula	Internal model
Default	Cash exposures and various receivables exposures are subjected to a shock using a factor approach.	Defaults relating to cash exposures are simulated in the market risk module on a stochastic basis. The default risk on receivables (reinsurance and other receivables) is valued in accordance with the standardized approach.

The differences between the internal model and the standard formula are explained below for each non-life underwriting risk sub-module.

Comparison between the underwriting risk sub-modules in the internal model and the standard formula

Sub-module	Standard formula	Internal model
Premium and reserve risk	A factor-based approach is used in the standard formula. The standard volatility factors (market average) for each line of business are applied to the relevant volume measure (reserve or premiums). Specified correlation parameters are used in a linear correlation approach. Regional diversification is taken into account.	In the partial internal model, casualty and property insurance and legal insurance are broken down into groups of risks sharing similar characteristics and these risk groups form the ARAG segments. The risk calculation is based on company-specific data and internal calibration. Reinsurance is more precisely reflected in the model, especially in relation to major losses. In addition, there is diversification across segments and countries. The aggregation method follows a copula approach. Well-established actuarial methods are used.
Lapse risk	A stress scenario is applied to the forecast profits from the current portfolio.	A lapse distribution is modeled, with calibration based on company-specific data.
Legal insurance accumulation risk	Not taken into account in the standard formula.	Accumulation events represent a heightened risk in the legal insurance business. ARAG therefore models these losses with its own data using a distribution of the number and of the amount of claims.

Diversification

Diversification effects are highlighted by aggregating the risk distributions for the individual sub-risks into the total risk capital requirement. The diversification effect between the modules for underwriting risk, market risk, and default risk amounted to €154,015 thousand. Diversification effects arise if the risks to be aggregated are independent or only partially dependent on each other. Key diversification factors include, for example:

- Classes of insurance or segments: legal insurance disputes involving private or small business customers
- Regions: losses in different countries

To value the diversification effects within ARAG SE's partial internal model, the dependencies between the risk sub-modules and risk categories are quantified. The Company uses its own historical data to measure the dependencies. The parameters that are calculated are reviewed annually by a committee of experts to check that they remain plausible. The correlations from the standard formula are used to aggregate the individual risk modules for the purpose of producing the BSCR (integration of the partial model into the standard formula).

Appropriateness of data

ARAG SE's partial internal model uses a variety of data sources as inputs for calibration and parameterization purposes. The basis is provided by the Company's own data. By using internal historical data for the calibration, it is possible to ensure that the risk profile is modeled accurately and an adequate forecast is generated.

The quality of the data used in the partial internal model's calculations is regularly reviewed. To this end, data quality standards have been laid down in a data quality management policy. The objective of the standards is to safeguard the quality and appropriateness of the necessary data over the long term. ARAG examines data quality from the following perspectives:

- Accuracy: Data must be error-free, consistent, and trustworthy.
- Completeness: Data must be up to date and provide the necessary level of detail and granularity.
- Appropriateness: Data must reflect current reality, be relevant to the business, and be fit for the intended purpose.

E.5 Non-Compliance with the Minimum Capital Requirement and Non-Compliance with the Solvency Capital Requirement

The solvency capital requirement and minimum capital requirement were complied with at all times in the reporting period.

E.6 Any Other Information

The preceding chapters contain all of the important information about capital management.

Appendix

S.02.01.02
Balance sheet

Assets (€'000)		**Solvency II value**
		C0010
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	47,354
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	3,383,668
Property (other than for own use)	**R0080**	17,685
Holdings in related undertakings, including participations	**R0090**	1,444,326
Equities	**R0100**	0
Equities – listed	**R0110**	0
Equities – unlisted	**R0120**	0
Bonds	**R0130**	1,098,572
Government bonds	**R0140**	373,275
Corporate bonds	**R0150**	725,297
Structured notes	**R0160**	0
Collateralized securities	**R0170**	0
Collective investment undertakings	**R0180**	787,573
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	35,511
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	7,351
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	67
Other loans and mortgages	**R0260**	7,284
Reinsurance recoverables from:	**R0270**	1,672
Non-life and health similar to non-life	**R0280**	1,672
Non-life excluding health	**R0290**	1,672
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	246,196
Insurance and intermediaries receivables	**R0360**	117,123
Reinsurance receivables	**R0370**	47
Receivables (trade, not insurance)	**R0380**	59,457
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	119,861
Any other assets, not elsewhere shown	**R0420**	13,369
Total assets	**R0500**	**3,996,098**

S.02.01.02
Balance sheet

Liabilities (€'000)		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	1,340,798
Technical provisions – non-life (excluding health)	**R0520**	1,340,798
Technical provisions calculated as a whole	**R0530**	0
Best estimate	**R0540**	1,295,510
Risk margin	**R0550**	45,288
Technical provisions – health (similar to non-life)	**R0560**	0
Technical provisions calculated as a whole	**R0570**	0
Best estimate	**R0580**	0
Risk margin	**R0590**	0
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions – health (similar to life)	**R0610**	0
Technical provisions calculated as a whole	**R0620**	0
Best estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
Technical provisions calculated as a whole	**R0660**	0
Best estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
Technical provisions calculated as a whole	**R0700**	0
Best estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	101,188
Pension benefit obligations	**R0760**	176,084
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	159,184
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance and intermediaries payables	**R0820**	91,031
Reinsurance payables	**R0830**	7
Payables (trade, not insurance)	**R0840**	57,441
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in basic own funds	**R0860**	0
Subordinated liabilities in basic own funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	286
Total liabilities	**R0900**	**1,926,018**
Excess of assets over liabilities	**R1000**	**2,070,080**

S.04.05.21
Premiums, claims and expenses by country

Home country: Non-life insurance and reinsurance obligations

Country	R0010					
			Top 5 countries: Non-life			
(€'000)		Home country	AT	ES	IT	NL
		C0010	C0020	C0020	C0020	C0020
Premiums written (gross)						
Gross written premium (direct)	R0020	549,351	102,535	148,122	44,764	115,866
Gross written premium (proportional reinsurance)	R0021	254,829	0	46,694	128,625	89,586
Gross written premium (non-proportional reinsurance)	R0022	0	0	0	0	0
Premiums earned (gross)						
Gross earned premium (direct)	R0030	541,129	100,763	146,867	44,088	115,735
Gross earned premium (proportional reinsurance)	R0031	208,186	0	46,163	125,106	89,669
Gross earned premium (non-proportional reinsurance)	R0032	0	0	0	0	0
Claims incurred (gross)						
Claims incurred (direct)	R0040	316,035	27,948	47,982	5,681	9,747
Claims incurred (proportional reinsurance)	R0041	125,628	– 157	28,096	13,892	13,343
Claims incurred (non-proportional reinsurance)	R0042	0	0	0	0	0
Expenses incurred (gross)						
Gross expenses incurred (direct)	R0050	264,172	48,413	82,377	29,751	89,095
Gross expenses incurred (proportional reinsurance)	R0051	67,897	0	16,283	102,182	85,267
Gross expenses incurred (non-proportional reinsurance)	R0052	0	0	0	0	0

Home country: Life insurance and reinsurance obligations

Country	R1010	
(€'000)		Home country
		C0030
Gross written premium	R1020	0
Gross earned premium	R1030	0
Claims incurred	R1040	0
Gross expenses incurred	R1050	0

S.05.01.02
Premiums, claims and expenses by line of business

(€'000)		Line of business for: Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Premiums written								
Gross – direct business	R0110	0	0	0	0	0	0	0
Gross – proportional reinsurance accepted	R0120	0	0	0	0	0	0	0
Gross – non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	0	0	0	0	0	0	0
Net	R0200	0	0	0	0	0	0	0
Premiums earned								
Gross – direct business	R0210	0	0	0	0	0	0	0
Gross – proportional reinsurance accepted	R0220	0	0	0	0	0	0	0
Gross – non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	0	0	0	0	0	0	0
Net	R0300	0	0	0	0	0	0	0
Claims incurred								
Gross – direct business	R0310	0	0	0	0	0	0	0
Gross – proportional reinsurance accepted	R0320	0	0	0	0	0	0	0
Gross – non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	0	0	0	0	0	0	0
Net	R0400	0	0	0	0	0	0	0
Expenses incurred	R0550	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance – other technical expenses/income	R1210							
Total expenses	R1300							

	Line of business for: Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Line of business for: Accepted non-proportional reinsurance				Total
	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
	0	0	932,543	79,316	7,394					1,019,253
	0	0	477,385	20,202	25,602					523,190
						0	0	0	0	0
	0	0	952	177	0	0	0	0	0	1,128
	0	0	1,408,976	99,342	32,996	0	0	0	0	1,541,315
	0	0	921,798	77,197	7,443					1,006,438
	0	0	426,835	19,711	26,055					472,602
						0	0	0	0	0
	0	0	952	177	0	0	0	0	0	1,128
	0	0	1,347,682	96,732	33,498	0	0	0	0	1,477,912
	0	0	396,790	33,142	1,000					430,932
	0	0	152,675	16,441	12,701					181,817
						0	0	0	0	0
	0	0	967	175	0	0	0	0	0	1,143
	0	0	548,497	49,408	13,701	0	0	0	0	611,606
	0	**0**	**760,804**	**49,098**	**12,721**	**0**	**0**	**0**	**0**	**822,624**
										– 1,741
										820,882

S.05.01.02
Premiums, claims and expenses by line of business

(€'000)		Line of business for: Life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1420	0	0	0	0	0	0	0	0	0
Net	R1500	0	0	0	0	0	0	0	0	0
Premiums earned										
Gross	R1510	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1520	0	0	0	0	0	0	0	0	0
Net	R1600	0	0	0	0	0	0	0	0	0
Claims incurred										
Gross	R1610	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1620	0	0	0	0	0	0	0	0	0
Net	R1700	0	0	0	0	0	0	0	0	0
Expenses incurred	R1900	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance – other technical expenses/income	R2500									**0**
Total expenses	R2600									**0**
Total amount of surrenders	R2700	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

S.17.01.02
Technical provisions – non-life

(€'000)		Direct business and accepted proportional reinsurance						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0	0
Total recoverables from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	R0060	0	0	0	0	0	0	0
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	0	0	0	0
Net best estimate of premium provisions	R0150	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Claims provisions								
Gross	R0160	0	0	0	0	0	0	0
Total recoverable from reinsurance/SPV and finite re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	0	0	0
Net best estimate of claims provisions	R0250	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total best estimate – gross	R0260	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total best estimate – net	R0270	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Risk margin	R0280	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Technical provisions – total								
Technical provisions – total	R0320	0	0	0	0	0	0	0
Recoverable from reinsurance contract/SPV and finite re after the adjustment for expected losses due to counterparty default – total	R0330	0	0	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and finite re – total	R0340	0	0	0	0	0	0	0

Direct business and accepted proportional reinsurance					Accepted non-proportional reinsurance				Total non-life obligation
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0090	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	54,394	7,615	12,849	0	0	0	0	74,858
0	0	0	0	0	0	0	0	0	0
0	**0**	**54,394**	**7,615**	**12,849**	**0**	**0**	**0**	**0**	**74,858**
0	0	1,194,869	14,117	11,666	0	0	0	0	1,220,652
0	0	1,672	0	0	0	0	0	0	1,672
0	**0**	**1,193,197**	**14,117**	**11,666**	**0**	**0**	**0**	**0**	**1,218,980**
0	**0**	**1,249,263**	**21,732**	**24,515**	**0**	**0**	**0**	**0**	**1,295,510**
0	**0**	**1,247,591**	**21,732**	**24,515**	**0**	**0**	**0**	**0**	**1,293,838**
0	**0**	**42,665**	**1,589**	**1,034**	**0**	**0**	**0**	**0**	**45,288**
0	0	1,291,928	23,320	25,550	0	0	0	0	1,340,798
0	0	1,672	0	0	0	0	0	0	1,672
0	0	1,290,256	23,320	25,550	0	0	0	0	1,339,126

S.19.01.21
Non-life insurance claims

Accident year/Underwriting year	**Z0020**	1: Accident year

Gross claims paid (non-cumulative) – development year (absolute amount). Total non-life business

Year		Development year											In current year	Sum of years (cumulative)
(€'000)		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											11,160	11,160	11,160
N-9	R0160	114,233	103,403	44,850	25,601	17,340	11,385	6,610	5,151	3,177	3,369		3,369	335,118
N-8	R0170	126,554	107,357	47,576	27,918	18,428	12,992	9,200	6,034	5,676			5,676	361,734
N-7	R0180	134,391	113,631	48,192	27,334	21,071	13,628	8,824	8,292				8,292	375,363
N-6	R0190	138,518	121,266	50,410	31,651	21,291	13,906	12,711					12,711	389,753
N-5	R0200	141,327	123,767	58,714	34,437	23,962	21,618						21,618	403,825
N-4	R0210	142,671	133,000	60,199	35,952	28,146							28,146	399,967
N-3	R0220	140,810	130,876	59,838	43,750								43,750	375,274
N-2	R0230	155,766	150,261	78,555									78,555	384,582
N-1	R0240	169,187	188,132										188,132	357,319
N	R0250	206,312											206,312	206,312
Total	R0260												**607,719**	**3,600,408**

Gross discounted best estimate claims provisions – current year, sum of years (cumulative). Total non-life business

Year		Development year											Year end (discounted data)
(€'000)		0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											31,672	29,732
N-9	R0160	0	0	0	0	0	35,197	25,438	19,189	14,615	11,893		11,165
N-8	R0170	0	0	0	0	49,371	37,105	28,192	21,635	17,417			16,351
N-7	R0180	0	0	0	69,175	51,580	37,702	28,475	22,601				21,218
N-6	R0190	0	0	106,344	76,042	54,345	40,329	32,318					30,340
N-5	R0200	0	171,469	115,563	80,482	57,726	46,849						43,982
N-4	R0210	338,588	193,711	130,892	90,289	71,892							67,490
N-3	R0220	358,350	202,373	134,267	103,908								97,549
N-2	R0230	388,154	219,991	165,145									155,065
N-1	R0240	418,768	270,597										254,118
N	R0250	525,018											493,642
Total	R0260												**1,220,652**

S.23.01.01
Own funds

(€'000)		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors as foreseen in Art. 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	100,000	100,000		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	1,897,725	1,897,725			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	**1,997,725**	**1,997,725**	**0**	**0**	**0**

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(€'000)		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Art. 96 (2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Art. 96 (2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Art. 96 (3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls – other than under first subparagraph of Art. 96 (3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	**R0400**	**0**			**0**	**0**
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,997,725	1,997,725	0	0	0
Total available own funds to meet the MCR	R0510	1,997,725	1,997,725	0	0	
Total eligible own funds to meet the SCR	R0540	1,997,725	1,997,725	0	0	0
Total eligible own funds to meet the MCR	R0550	1,997,725	1,997,725	0	0	
SCR	**R0580**	**670,230**				
MCR	**R0600**	**251,788**				
Ratio of eligible own funds to SCR	**R0620**	**2.98**				
Ratio of eligible own funds to MCR	**R0640**	**7.93**				

(€'000)		Total
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2,070,080
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	20,000
Other basic own fund items	R0730	100,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	52,355
Reconciliation reserve	**R0760**	**1,897,725**
Expected profits		
Expected profits included in future premiums (EPIFP) – life business	R0770	0
Expected profits included in future premiums (EPIFP) – non-life business	R0780	156,236
Total expected profits included in future premiums (EPIFP)	**R0790**	**156,236**

S.25.05.21
Solvency capital requirement – for undertakings using an internal model (partial or full)

Solvency capital requirement information

(€'000)		Solvency capital requirement	Amount modeled	USP	Simplifications
		C0010	C0070	C0090	C0120
Risk type					
Total diversification	R0020	– 154,015	0		
Total diversified risk before tax	R0030	791,552	0		
Total diversified risk after tax	R0040	670,230	0		
Total market & credit risk	R0070	835,990	835,990		0
Market & credit risk – diversified	R0080	645,751	645,751		
Credit event risk not covered in market & credit risk	R0190	26,492	0		
Credit event risk not covered in market & credit risk – diversified	R0200	26,492	0		
Total business risk	R0270	0	0		0
Total business risk – diversified	R0280	0	0		
Total net non-life underwriting risk	R0310	231,988	231,988		0
Total net non-life underwriting risk – diversified	R0320	229,503	229,503		
Total life & health underwriting risk	R0400	0	0		0
Total life & health underwriting risk – diversified	R0410	0	0		
Total operational risk	R0480	43,821	0		0
Total operational risk – diversified	R0490	43,821	0		
Other risk	R0500	0	0		0

Calculation of solvency capital requirement

(€'000)

		C0100
Total undiversified components	R0110	945,566
Diversification	R0060	– 154,015
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	**R0200**	**670,230**
Capital add-ons already set	R0210	0
Capital add-ons already set – Art. 37 (1) type a	R0211	0
Capital add-ons already set – Art. 37 (1) type b	R0212	0
Capital add-ons already set – Art. 37 (1) type c	R0213	0
Capital add-ons already set – Art. 37 (1) type d	R0214	0
Solvency capital requirement	**R0220**	**670,230**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	0
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	– 121,322
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of notional solvency capital requirements for remaining part	R0410	0
Total amount of notional solvency capital requirements for ring fenced funds	R0420	0
Total amount of notional solvency capital requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for Art. 304	R0440	0
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4: No adjustment
Net future discretionary benefits	R0460	0

S.25.02.21.04
Approach to tax rate

(€'000)		Yes/No
		C0109
Approach based on average tax rate	R0590	1: Yes

S.25.02.21.05
Calculation of loss-absorbing capacity of deferred taxes

(€'000)		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	**– 121,322**
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	– 121,322
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	0
Amount/estimate of LAC DT justified by carry back, current year	R0670	0
Amount/estimate of LAC DT justified by carry back, future years	R0680	0
Amount/estimate of maximum LAC DT	R0690	**– 159,184**

S.28.01.01
Minimum capital requirement – only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

(€'000)		MCR components
		C0010
MCR_{NL} result	R0010	251,788

(€'000)		Background information: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Background information: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	1,247,591	1,334,891
Assistance and proportional reinsurance	R0120	21,732	94,298
Miscellaneous financial loss insurance and proportional reinsurance	R0130	24,515	49,917
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

(€'000)		MCR components
		C0040
MCR_L result	R0200	0

Total capital at risk for all life (re)insurance obligations

(€'000)		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

(€'000)		
		C0070
Linear MCR	R0300	251,788
SCR	R0310	670,230
MCR cap	R0320	301,604
MCR floor	R0330	167,558
Combined MCR	R0340	251,788
Absolute floor of the MCR	R0350	2,700
Minimum capital requirement	R0400	**251,788**

Further Information

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Note
Figures in this report are rounded, which may give rise to differences of ± one unit (currency, percent) in some computations.

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