

Annual Press Conference
ARAG Group
Statement by Dr. Renko Dirksen
Düsseldorf, May 18, 2022
(The spoken word applies)

Good morning ladies and gentlemen,

My colleagues on the Management Board and I would like to welcome you all to the ARAG Group's Annual Press Conference. We are particularly pleased to finally be able to talk to you again in person. Since our last meeting here on the 30th floor at the end of 2019, the world has changed dramatically. At the time, we assumed that the change in leadership at the helm of ARAG SE would present the biggest task for the newly formed Management Board team. How wrong can you be? The still unresolved pandemic, a flood disaster held inconceivable in Germany, and the Russian war of aggression in Ukraine mark a turning point, the consequences of which we have yet to grasp. At the same time, these three events are defining issues for the future: Limits to globalization, pressure to act on climate change and sustainability, and changes in geostrategic relations.

The Russian war, in particular, leaves us stunned. We recognize once again the importance of liberal and democratic legal norms for peaceful development worldwide. It is surely a big mistake to think that free access to justice at all levels is a given.

How do consumers respond to these crises? They respond with an increased demand for coverage, which is strongly focused on the areas of work and health – and thus on legal and health insurance. Our customers need us. They rely on us for help and protection. This is where we take action, perform and deliver, and our customers are rewarding our efforts. This is reflected very clearly in how our business has developed in 2021. We already outlined to you at our last meeting in December that we expected a very good business year 2021. Today, we can say we are looking back on the best year in ARAG's history.

I. Business performance 2021:
ARAG with record growth

As you all know, at ARAG, we do not tend to exaggerate. Instead, our dynamic business performance speaks for itself in plain figures:

- The ARAG Group grew strongly by 9.1 percent or €169 million
- German business recorded a historic premium increase of 9.6 percent
- German legal insurance business delivered nearly 11 percent more premium revenues

- In the international legal insurance business, premium growth amounted to 7.8 percent
- Health insurance increased its revenues by 12.6 percent
- The number of ARAG customers in Germany rose again significantly, in fact by 91,000 on balance
- The underwriting result sets another record at €118.2 million

The year 2021 thus continues the positive trend of previous years, which was reinforced by the pandemic, although we had prepared for a different development. Thanks to our modern product portfolio and well-timed introduction of new rates, we have been able to meet the coverage needs of our customers very well.

This is documented by every single key figure of the ARAG Group. Our **premium income** rose **from € 1.85 billion to € 2.01 billion**. That is not only an increase of almost 10 percent. We have also achieved our premium target, set for the end of 2022, one year early. It would have been easy for us to take it easy under the pretext of the pandemic. However, that would not have done justice to the ambition and demands of our entire team, both nationally and internationally.

Ladies and gentlemen, I can say with pride and pleasure: in the **German market**, things could not have gone better for ARAG. Our revenues there amounted to **almost €1.2 billion, up from €1.08 billion in the previous year**. As already mentioned, this is based on a net gain in customers, who we were able to convince anew of the value of our products.

International business again generated significantly more momentum in the reporting year and grew by 8.5 percent to €823.6 million (previous year: €759.1 million). Particularly in Spain, we felt the effects of the pandemic crisis most strongly in 2020. By 2021 the impact had receded. We were able to increase there by 6.8 percent.

ARAG also achieved significant growth in **Scandinavia** (with a plus of 30.4 percent/euro basis), in **Italy** (we grew by 10.4 percent), in **Austria** (by 7.5 percent) and in the **USA** (we increased by 4.6 percent/euro basis).

I will continue on the American continent for a moment. As you already know, ARAG acquired DAS Legal Protection in **Canada** in March 2021. The integration of the business has now been completed by schedule. Our newly formed company has been operating under the name **ARAG Legal Solutions Inc.** since the beginning of 2022. The Canadian legal insurance market offers us promising opportunities and solid growth potential. We are thereby further advancing our successful international expansion strategy. ARAG Legal Solutions Inc. is operating on the Canadian market as a managing general agent (MGA).

Now, let me briefly outline the development of the various Group segments:

- **Legal insurance**, the largest segment, was again in top form, delivering premium growth of **over €100 million to €1.26 billion** (previous year: €1.15 billion) helping to further consolidate ARAG's leading position as the **world's leading legal insurance provider**. ARAG supported its legal insurance customers worldwide **1.2 million times in claims and consulting cases**. This corresponds to the previous year's level. In Germany, customers called on our services 559,000 times (previous year: 556,000).
- **ARAG Health** continues to boom. Revenues in this segment again rose strongly **by € 54 million to € 484.4 million**, following € 430 million in the previous year. The decisive factor here was once again excellent business with our full-cost rates. Premium adjustments were low at 1 percent of monthly premiums.
- The **Composites segment** recovered in 2021 from pandemic-related declines. Revenues **increased by 4.2 percent to € 274.5 million**. The flood disaster in Germany had only a mild impact on ARAG in relation to competitors. The corresponding gross claims expenditure was € 25 million. After reinsurance, a net expense of € 3 million remained.

In summary, the following applies for all Group segments: they provided good and solid earning contributions. In other words, ARAG has a very robust business setup.

For the first time, we can provide details concerning **EU taxonomy in the non-financial declaration (NFD)** of our sustainability report. ARAG's situation is peculiar in that under EU regulations the legal insurance business as well as the health insurance business by type of life are not taxonomy-eligible. The ratio of **taxonomy-eligible insurance benefits** in the Group was **9.3 percent** in the year under review. In the **capital investment section**, the proportion of **taxonomy-eligible assets** was **8.3 percent**.

ARAG improves earning power in spite of premium growth: Underwriting result again at a record level

Ladies and gentlemen, the record growth of 2021 is very solidly financed. We are growing and have once again been able to enhance ARAG's earning power. In the year under review, the Group again proved itself to be a company with well-oiled processes. **At €118 million**, the **underwriting result** reached another all-time high and was 5 percent above the already excellent prior-year figure (€112 million). The **most profitable Group segment is legal insurance**, with a technical result of €96 million (previous year: €83.2 million).

The **combined ratio** in the Group increased to 89.2 percent (previous year: 87.6 percent). This reflects the growth effects in claims and cost development. **Claims expenditures increased** across all segments and came to €1.03 billion

(previous year: €935.6 million). **Costs** amounted to €744.6 million, compared with €674 million in the previous year. The increase is mainly due to higher commission payments and necessary investments in personnel and processes. Sixty new workplaces were created last year in the dynamically expanding health insurance segment alone.

Capital investment income benefited in 2021 from the overall positive market development. Earnings rose to €80.3 million from €78.4 million in the previous year.

All in all, **profit on ordinary activities** recorded an increase of **4 percent and climbed to €86.7 million** (previous year: €83.2 million).

As you can see from these key figures, all business units are intermeshing perfectly. Otherwise, the business expansions of recent years would not have been possible. Many of you know that ARAG has also seen different times and long lean periods in its history. Since 2013, the Group has been on a steady path to success. One thing is clear: All the achievements we see today are the result of hard work and the Company's correct decision to focus on its actual strengths.

II. Outlook: ARAG with best start to the year ever

Let me now give you an outlook for the current business year. The enormous momentum of the ARAG Group continued through the first quarter of 2022. The start to the year 2022 was excellent. I hardly dare use this superlative again – but in fact it is accurate: Never in the history of ARAG, have we begun a new year so well. Premium revenues in the **first quarter continued to grow strongly by 10.4 percent to € 638 million** (previous year: € 576.4 million). In the German market, the Group delivered **solid premium growth of 8.4 percent**. The national growth drivers were **health insurance with 14 percent growth and German legal insurance with 6.6 percent**. ARAG also got off to an excellent start **internationally, posting a 14 percent rise** in premiums.

This persistently strong growth reflects **the significantly higher need for security in society as a whole**. We recognize a development that started back in 2020 with the outbreak of the pandemic. The Russian invasion of Ukraine in violation of international law is an unresolved geopolitical conflict that will heighten this need for security. We all sense that our world is not going to stay the way we have known it for decades. Consumers are responding and **looking for ways to secure their standard of living**. It is about the three **basic needs of work, housing and health**. And it is precisely in these three areas that ARAG offers protection and defense options. In this way, we can strike a chord with consumers.

Legal insurance in particular **has long ceased to be a niche product**. Rather, it helps to effectively secure **income and a roof overhead for families**. **Legal**

insurance is therefore an elementary form of coverage – especially in times where more and more conflicts are likely to arise on account of rising prices.

Nonetheless, **we do not expect our business to achieve record levels again in fiscal year 2022** despite the brilliant start. The key factor here is the unclear impact of strong inflation. Today's peak inflation values were last measured in 1973. At that time, people didn't turn their backs on insurance cover. Nevertheless, we remain alert.

However, it is not our nature to simply stare in awe at the passage of time. We will continue to use ARAG's modern and strong position to further develop the Group. We will certainly not let up on this. In the upcoming days, for example, an advanced version of our premium product **ARAG Recht&Heim** will be launched on the German market.

The main factor behind ARAG's success is that we have drawn the **right conclusions from the requirements for digital transformation**. Meaning: At no point have we used digitization as a threat to cut staff. Instead, we encouraged our team to **see digitization as part of our growth story – in other words, as a stroke of luck**. All employees perceive themselves an active part of the processes involved and support to shape them. The Management Board is extremely proud of our highly motivated staff.

We completed the **ARAG Smart Insurer program** at the end of last year. But this does not mean that our digital transformation has now come to an end. The program has lifted the Group over an important innovation threshold. Now the work will continue at departmental level. And these are not just empty words. The **rapid development of AI-powered services** is a concise example of this. Two or three years ago, the development of AI-enabled service bots seemed something akin to Druid magic. Today, with appropriate software and a few tips from IT, departments can develop and test bots themselves. The development time is reduced to a few days. Even after the Smart Insurer Program, we will continue to move forward flexibly and pragmatically in digitization.

We also consider the Group to be very well positioned on another future-oriented issue: **Sustainable transformation** is clearly picking up speed. You know our position on this. This transformation will succeed only if it takes place on **the basis of social and economic stability**. We see a **clear role** here for ARAG as **the world's leading legal insurance company**. Legal insurance is an extremely effective means of enabling people to influence change processes. **ARAG stands above all for the "S" in ESG** (Environment, Social, Governance).

This month, we will discuss our options for this with the international organization **Justice Leaders**. This is an association of international law makers and supreme judges. They are working worldwide to strengthen the structures underpinning the rule of law. We are looking forward to this dialogue and the

points of reference that will arise from it. Outside Germany, a very lively debate has gained momentum that is intensively concerned with simple and improved access to justice. **"People-centered justice"** and **"user-centered justice"** are the core demands here. **We in Germany must not be left behind. This puts new emphasis on our demand to German policymakers:** liberalization of out-of-court legal advice is a key success factor for modernizing the German rule of law.

These issues are more topical than ever. The Russian war of aggression against **Ukraine** constitutes not only a violation of international law. It goes against everything we stand for as the world's leading legal insurer. Above all, the war shows how quickly and massively **our modern ideas of the rule of law can become threatened**. This may sound abstract, but people are keenly sensitive towards justice, and want to arm themselves against an encounter with injustice. The mood is changing and we see it clearly reflected in customer demand.

Even though ARAG is not **directly affected by the war**, we had to take a stand: We immediately set up an **advisory service** in February **for all Ukrainian war refugees** and also for all volunteers. The assistance mainly concerned dealings with German authorities. A description of the extensive voluntary commitment of our employees for the war refugees would go beyond the scope of this talk – but their efforts should not go unmentioned.

Let me conclude: Today, we seem to be surrounded by crises, wars and problems. Unfortunately, these are ideal conditions for entrepreneurial stagnation. If we allow ourselves to be led by problems alone, we will not progress but will only paralyze ourselves out of fear of doing something wrong. That is not our approach.

The modern yet robust positioning of the ARAG Group and the highly successful development of our business have created the conditions for us to **look to the future with confidence**. We are not turning a blind eye to the perceptible changes in our world and economic order. On the contrary, our business model **offers our customers effective protection for their standard of living in uncertain times**. Our customers need us right now – and we will deliver. One of ARAG's clear strengths is that it grows with the challenges it faces. We proved that during the pandemic, when we significantly expanded our business under truly trying conditions. This attitude will also help us to find our way in a world of unresolved geopolitical conflicts and to continue to work unflustered on our success story.

Thank you for your attention. We look forward to your questions.