ARAG realigns its business under the influence of the persistent low-interest phase

- **Life insurance business sold**
- **Health insurance to be more firmly integrated within the Group**
- **Pension plans to remain in the product portfolio**
- **Corporate location in Munich to be retained**

The ARAG Group of Düsseldorf is realigning its corporate structure and focusing on the composite and health insurance segments, which have been growing for many years. ARAG SE is selling its 92-percent interest in ARAG Lebensversicherungs-AG to the Frankfurter Leben Gruppe. ARAG SE is also acquiring the shares in ARAG Krankenversicherungs-AG that were previously held by ARAG Life. The Group will retain the corporate location in Munich. As a result of the sale of the life insurance business, the relative share of Group premium income contributed by international branches and subsidiaries will rise substantially from 34 to 40 percent.

“This is not the time for a wait-and-see approach,” notes Dr. Paul-Otto Faßbender, Chairman, CEO and majority shareholder of ARAG SE. “ARAG’s destiny will not be determined in the life insurance segment.” It will depend instead on the Group’s ability to move ahead with the expansion of the property and health insurance business in Germany and its efforts to internationalize the legal insurance business. The dynamic growth and earnings gains of recent years offer clear evidence that the Group’s strongest growth potential lies outside of Germany.

“By selling our life insurance business, we will be able to achieve a noticeable improvement in the risk positions in our portfolio,” explains Dr. Paul-Otto Faßbender. The Group will be much less sensitive to the volatility of financial markets as it affects its insurance portfolio and capital investments. The realignment of the Group’s business segments also reflects the expectation that the low-interest phase in Europe will be prolonged as a result of the Brexit. While the German life insurance business is most likely to become less attractive under the influence of persistently low interest rates, these low rates will support ARAG’s positive business growth in its international markets.

Furthermore, the life insurance segment binds immense resources during the low-interest phase – resources that are consequently not available in support of efforts to build business in the segments that actually offer real potential for further growth. “So we had to resolve this foreseeable conflict of objectives in the interest of the Group as a whole,” says majority shareholder Dr. Paul-Otto Faßbender in explaining the decision.

“It will not be easy for me to bid farewell to the highly motivated employees of ARAG Life,” emphasized Dr. Paul-Otto Faßbender. “I wish to thank all employees of ARAG Life for their strong commitment on behalf of our customers and our Group.”

ARAG SE is selling ARAG Lebensversicherungs-AG and its portfolio of 322,000 insurance policies to the Frankfurter Leben Gruppe. These policies will remain in force under the terms and conditions under which they were issued.

ARAG will continue to offer pension plans to its customers, although they will no longer be original ARAG products, but will instead be sold for cooperating partners. It is both self-evident and essential in the interest of needs-based consulting for ARAG to offer products of this kind. Thus ARAG will offer life insurance products from Alte Leipziger in the future.

In its new and future constellation, the ARAG Group can expect to lose roughly € 220 million in premium income and reduce its capital investments by € 2.8 billion as a result of the sale of ARAG Life. Gross premium income for the Group will amount to € 1.43 billion once the realignment process is completed. ARAG SE previously held 25-percent interest in ARAG Krankenversicherungs-AG. Now it will become the new majority shareholder and hold at least 94 percent of all shares in ARAG Health. This will integrate the strategically important health insurance business more firmly into the Group.

“Thanks to the successful growth of business in recent years, now is the right time to choose the direction the ARAG Group will take in the future,” Dr. Paul-Otto Faßbender explains with reference to the Group’s decision. With a clear emphasis on composite and health insurance, ARAG is now focusing on the strengths of its business model – at both the national and international levels. The realignment will result in a substantial increase in the relative share of Group premium income contributed by the international branches and subsidiaries from the current 34 to nearly 40 percent. “That is a clear indication of the direction in which the ARAG Group will progress in the future,” says Dr. Paul-Otto Faßbender.

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ARAG is the largest family-owned enterprise in the German insurance industry and has positioned itself as a versatile quality insurer. In addition to specializing in legal insurance, ARAG also offers its customers attractive, needs-based composite, health and retirement products and services from a single source in Germany. Active in 17 countries – including the US and Canada – ARAG is also represented by international branches, subsidiaries and shareholdings in numerous international markets in which it holds a leading positions as a provider of legal insurance and legal services. With 3,800 employees, the Group generates revenue and premium income totaling more than 1.7 billion EUR.