ARAG HOLDING SE

2022 Annual Report

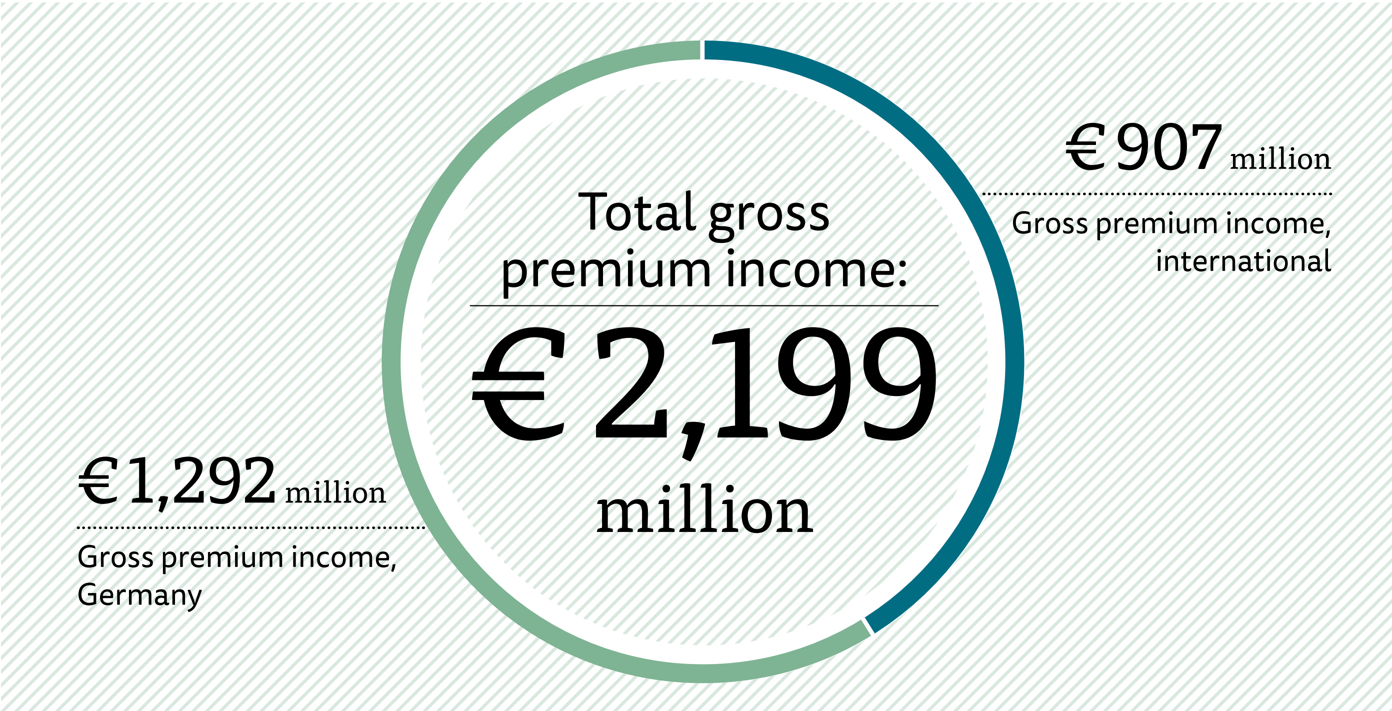
CONSOLIDATED FINANCIAL STATEMENTS

5->30

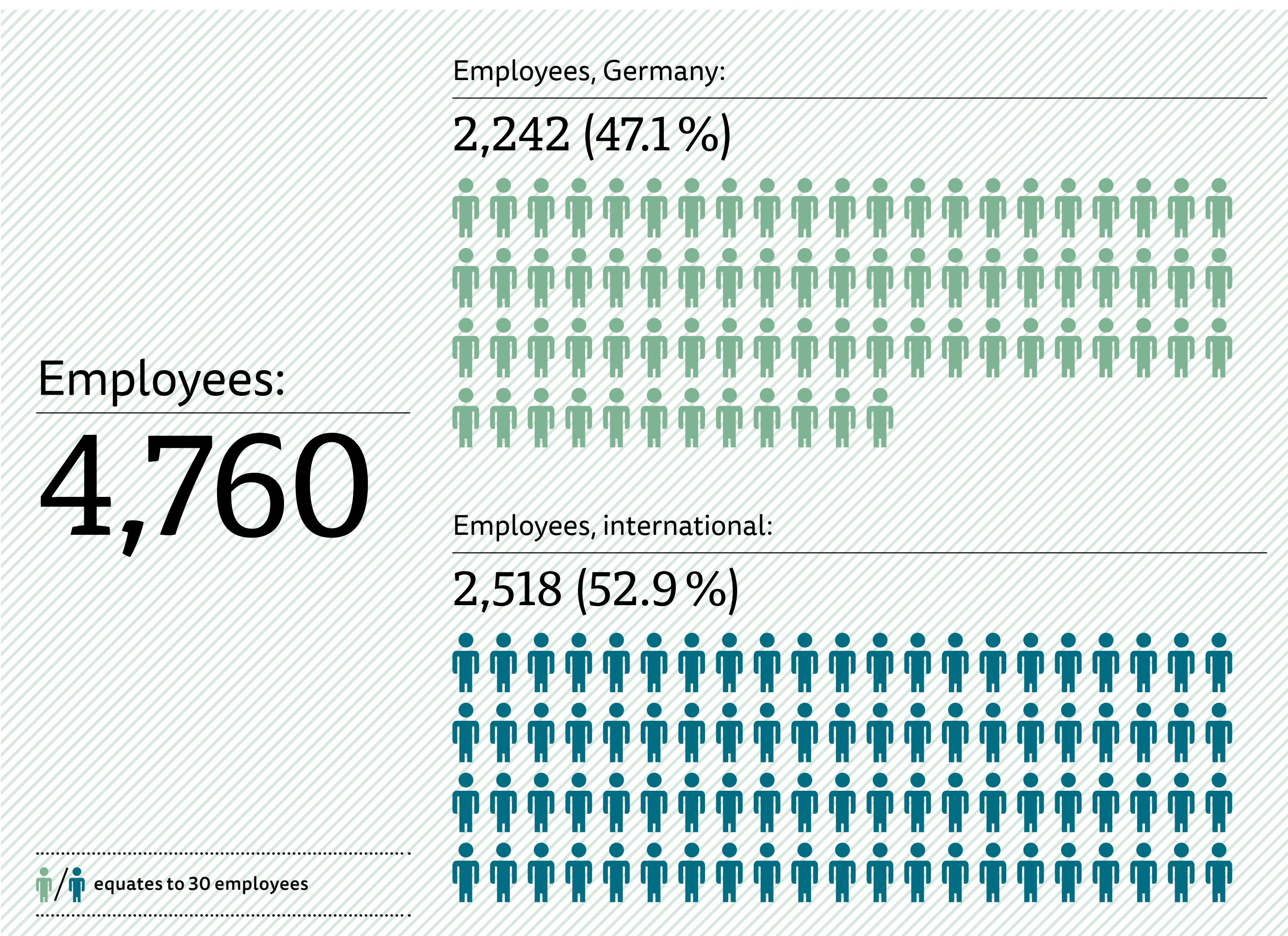
ARAG

ARAG 5->30

Gross premium income broken down by domestic and international business



Number of employees and breakdown



Key Figures for the ARAG Group

Premium income/sales revenue:	Combined ratio:
€ 2.24 billion	86.7 %
2021: € 2.04 billion	2021: 89.2 %
Underwriting result net of reinsurance:	Consolidated equity:
€ 158 million	€ 649 million
2021: € 118 million	2021: € 614 million
Profit from ordinary activities:	Consolidated net income:
€ 97.3 million	€ 43.5 million
2021: € 86.7 million	2021: € 37.9 million

Group strategy: ARAG 5->30

You need to know what you are aiming for to be able to get there. Having a focus is key, particularly in times of major upheaval and far-reaching global turmoil. With this in mind, ARAG has revised its Group strategy, gearing it toward five areas of action. ARAG 5->30 shows what the Group is aiming for in the period up to 2030 and what it needs to get there.

Insurance segments in the ARAG Group and their parent management companies

Legal insurance
ARAG SE

€ 1,345 million [1)]

2021:

€ 1,258 million [1)]

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

Casualty and property insurance
ARAG Allgemeine Versicherungs-AG

€ 308 million [1)]

2021:

€ 275 million [1)]

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

Health insurance
ARAG Krankenversicherungs-AG

€ 546 million [1)]

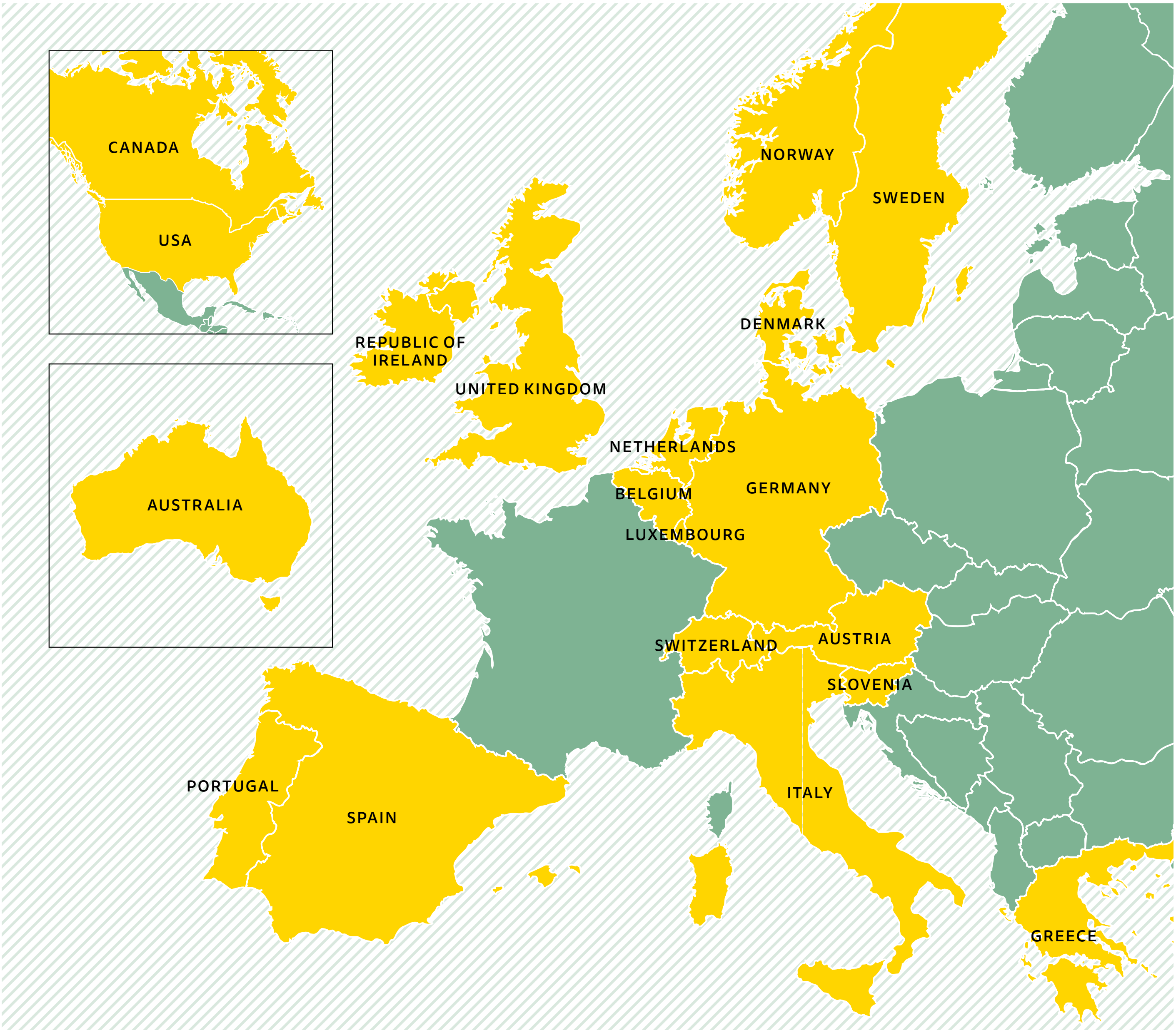
2021:

€ 484 million [1)]

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

[1)] Gross premium income

Countries in which the ARAG Group operates



Accolades received by the ARAG Group (selection)

ARAG is number one for customer loyalty: It took the top spot in the insurance company category in a 'customer loyalty' industry ranking by business newspaper Handelsblatt and market research institute Yougov. The Group's innovative strength was recognized in the reporting year with seven top rankings at the German Insurance Awards, including the number three in legal insurance and overall winner for full-coverage health insurance. Having already received the 'Insurance innovation of 2022' award at the Goldene Bullen awards of publisher Finanzen, ARAG Aktiv legal insurance for private individuals came out top for the second year running and was voted 'Insurance innovation of 2023'. ARAG Health was chosen as one of the fairest companies for claims settlement by Focus-Money and was designated 'excellent' by ascore. ARAG also remains an excellent employer: Review platform kununu gave it the Top Company seal of approval for being in the top 5 percent of the most highly rated employers on the platform. Focus-Business magazine once again numbered ARAG among the top national employers of 2022, listing it in the top 10 in the insurance industry. ARAG Netherlands was voted 'best in the test' by consumer association Consumentenbond, securing first place with its product for ANWB and Unigarant. For the third time in a row, ARAG Austria was named best legal insurance provider at the AssCompact Awards 2022 and is once again the industry's customer service champion according to a comparison carried out by the Austrian Society for Consumer Studies (ÖGVS). For its ARAG family legal protection product #Next!, ARAG Italy was singled out twice – with the Innovation prize from Italy Protection Forum & Awards and with the Insurance Connect Award in the category for best legal insurance product and service. In the Personal Injury Awards 2022, ARAG plc again defended its title as 'Insurance Provider of the Year'. ARAG North America received the Inclusion Award from Greater Des Moines Partnership in recognition of its commitment to diversity, equality, and inclusion. The Des Moines Register also honored it as 'Iowa Top Workplace 2022' in the employee communication category in the reporting year.

Structure of the ARAG Group

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)

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ARAG Holding SE Key Figures – Consolidated Financial Statements

(€ million)	2022	Change	2021	2020
Sales revenue				
Gross premiums written	**2,199.4**	**9.0 %**	2,017.4	1,848.7
Premiums earned net of reinsurance	**2,170.4**	**9.2 %**	1,986.7	1,838.0
Sales revenue of non-insurance companies	**41.5**	**65.2 %**	25.1	23.0
Expenses				
Claims incurred net of reinsurance	**1,089.9**	**6.1 %**	1,027.0	935.6
Claims ratio (basis: premiums earned)	**50.2 %**	**– 1.5 % pts.**	51.7 %	50.9 %
Insurance business operating expenses net of reinsurance	**791.4**	**6.3 %**	744.7	673.9
Cost ratio (basis: premiums earned)	**36.5 %**	**– 1.0 % pts.**	37.5 %	36.7 %
Net income overview				
Underwriting result net of reinsurance	**157.8**	**33.5 %**	118.2	112.0
Gains and losses on investments	**52.0**	**– 35.2 %**	80.3	78.5
of which included in underwriting result	**48.0**	**– 6.5 %**	51.3	48.1
Other net income/expense	**– 64.9**	**5.8 %**	– 61.3	– 59.1
Profit/loss from ordinary activities	**97.3**	**12.2 %**	86.7	83.2
Consolidated net income	**43.5**	**15.0 %**	37.9	38.2
Technical provisions/ net premiums earned	**222.4 %**	**– 8.4 % pts.**	230.8 %	233.8 %

Profile of the ARAG Group

Overview

The ARAG Group is the largest family enterprise in the German insurance industry and the leading legal insurer worldwide. When it was founded over 85 years ago, the Company focused purely on legal insurance. Today, ARAG positions itself as an innovative and high-quality insurer that is international and independent. In addition to legal insurance, its portfolio in Germany includes highly effective, needs-based products and services covering casualty and property insurance and health insurance. The Company also aims to generate growth across all insurance segments in Germany and to exploit the potential for expansion in the international legal insurance business. It generates sales revenue and premiums of more than €2.2 billion and employs over 4,700 people.

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

Legal insurance

In its core legal insurance segment, ARAG is growing rapidly in both Germany and abroad and plays a major role in shaping its markets with innovative products and services. The international legal insurance business is the Group's most significant area of activity. Worldwide, the Group helps its legal insurance customers with over a million cases per year, thereby playing its part in resolving sometimes existential legal problems.

Casualty and property insurance

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

Personal insurance

In the private health insurance market, ARAG Kranken (ARAG Health) offers a broad range of products with outstanding customer benefits, emphasizing its appeal as one of the best providers of full-coverage and supplementary health insurance. ARAG Core Sales also offers products from a strategic partner, complementing ARAG's services with a retirement pension offering.

Dr. Dr. h. c. Paul-Otto Faßbender

Introduction

2022 magnified the three burning issues that affect us all going forward. The limits of globalization, the growing pressure to take action on climate change and sustainability, and the changing nature of geostrategic relationships are shaping the world in which we live. We felt their direct impact in soaring inflation, for example.

Russia's war of aggression in Ukraine has stunned us. It makes us appreciate more than ever the importance of freedom and democracy for peaceful global development. Free access to the law, and especially equal access to justice, cannot be taken for granted. Consumers are feeling this more keenly and acting accordingly.

They are responding with greater demand for protection in the areas of work, the home, and healthcare. And that is precisely where we can provide support in the form of legal insurance and health insurance. We know that our customers need us and rely on our support and protection. We are focusing on action and excellence in order to deliver for our customers and are thus meeting the needs of consumers. In Germany alone, we saw a net increase of more than 91,000 in the number of customers. At 9 percent, the Group's premium income again increased at an exceptionally strong rate. In the German market, ARAG generated particularly strong premium growth of more than 8 percent. The picture painted in the international business was similarly excellent, with income up by 10 percent. This growth cements our position as the leading legal insurer worldwide. Underwriting profit was again high, emphasizing that we have our business firmly in hand.

It is now all the more important for ARAG to secure its future success. We have plotted the Group's course up to 2030 in our new development program ARAG **5→30**, in which we are focusing on five key areas of action that will guide our work over the years to come. By the end of the decade, ARAG is aiming to increase its premiums to €3 billion. But we will be looking at more than sales revenue and profit. Our employees and customers are the driving force behind our success. Accordingly, they also play a large role in our new strategy process. The same goes for the digital and sustainable transformation of our business. The realities of everyday life are changing, and we need to respond to them.

ARAG **5→30** shows that we have a very clear picture of ARAG's wealth of potential. Rather than waiting to see what the future holds, we are going to actively shape it. This will safeguard the Group's independence and preserve our ability to deliver to our customers around the world.

Paul-Otto Faßbender

Dr. Dr. h. c. Paul-Otto Faßbender

The ARAG Group at a Glance

What makes the Düsseldorf-based ARAG Group unique is that it is the largest family-owned insurance company in Germany. ARAG is independent, innovative, and internationally successful. The fundamental idea behind the foundation of ARAG back in 1935 was that all citizens should be able to assert their legal rights, irrespective of their financial situation. This idea is more relevant today than it has ever been. This corporate mission of establishing equality of opportunity for everyone and providing customers with the right support through every phase of their life lies at the heart of the ARAG Essentials, the corporate principles of the ARAG Group. It is also reflected with the same degree of emphasis in ARAG's extensive portfolio of products and services. In its new strategy program ARAG **5→30**, the Group has set new targets and defined areas of action for the period up to 2030.

A strong position

In every country in which it operates, ARAG puts consumers and customers first. Economic, political, and social upheaval is also having an impact on the needs and expectations of these people. Key factors are the digital transformation, the adverse effects of the COVID-19 pandemic, and the global repercussions of Russia's war of aggression in Ukraine. These factors have all fueled a marked rise in demand for legal assistance and support. ARAG has adapted its product and service portfolio to the new circumstances in which customers find themselves.

In terms of customer services, the focus is on modernizing customer contact and the provision of information, advice, and assistance as well as on automating and accelerating processes. Accordingly, as befits a multifaceted provider of high-quality insurance, the Group is doing more than simply reimbursing costs and is also expanding its prevention and assistance services with an increasing emphasis on sustainability.

Legal insurance is traditionally the strong core business of the Group, which is headed up by ARAG SE. As the leading legal insurer worldwide, ARAG plays a major role in shaping the legal insurance market, both in Germany and abroad, with innovative products and services. It also advocates for free access to the law. For years now, the international legal insurance business has been the Group's most significant area of activity. The units outside Germany involved in this business are a valuable source of impetus for the Group's growth. Equally, ARAG SE is on a clear path to success in its home market of Germany, where it is steadily acquiring new customers. In 2022, the number of new customers in Germany rose by a net total of almost 91,000.

In the German market, the ARAG Group also offers private health insurance and casualty and property insurance. These divisions are successfully run by the independent Group companies ARAG Krankenversicherungs-AG and ARAG Allgemeine Versicherungs-AG. Thanks to its broad range of products with attractive customer benefits, ARAG Health is one of the best providers of full-coverage and supplementary health insurance. In its fiercely competitive market, ARAG Allgemeine is demonstrating its strength as a competitive provider of property, liability, and accident insurance policies.

Dedication to sport

As Europe's largest sports insurance provider, ARAG Allgemeine plays a unique role. It offers specialized insurance cover for around 20 million recreational sports participants and top-ranking athletes in around 77,000 sports clubs and associations. Tailored group policies entered into with 15 regional sports associations across Germany provide the affiliated clubs and associations with appropriate insurance cover for their staff and all members.

As a partner for sport, ARAG has been championing sports accident and injury research and prevention in Germany for decades. In 2015, the 'Sicherheit im Sport' foundation was established to promote safety in sports by ARAG Allgemeine Versicherungs-AG alongside distinguished partners from the fields of science, sport, business, and politics, including the German Olympic Sports Confederation (DOSB), the North Rhine-Westphalia State Sports Association (LSB NRW), and sports insurance broker Himmelseher. The foundation brings together the joint activities being undertaken to prevent sports accidents and – together with numerous partners from the world of sport – helps to professionalize and promote the topic in Germany. Ultimately, this should make sport even safer for recreational sports participants and top-ranking athletes alike. ARAG is the foundation's largest sponsor.

International success

The Group's international business is crucial to its continued success, and more than half of the total workforce of over 4,700 employees is now based outside Germany. Moreover, the international markets account for just over 44 percent of the Group's sales revenue. Its internationalization strategy is enabling ARAG to penetrate further into existing markets that are experiencing rapid growth. Today, ARAG is the leading legal insurer worldwide, with premium income of more than €1.3 billion in its core division. Including Germany, it operates in a total of 19 countries through branches, subsidiaries, and equity investments. In spite of inflation and difficult conditions in the reporting year, all 19 countries achieved organic growth – with international business even outperforming domestic business overall. A good example is Spain, which made up for the pandemic-induced fall in sales revenue over the past two years. The pandemic had particularly affected its special service package business. Another example is the US market, where premiums continued to grow and another record was established with absolute growth of €34 million.

2022 was a special year for ARAG's internationalization efforts as the Group's oldest international unit, ARAG Netherlands, turned 60. Having started out with four employees in Utrecht in 1962, the unit now accounts for the largest share of international premiums in the Group at around €188 million.

ARAG 5→30

Being a family enterprise, ARAG consciously makes long-term plans in order to secure the independence of the Group now and in the future. The new development program ARAG 5→30 (ARAG Five to Thirty) sets out the course of the Group in the period up to 2030. The program specifies five key areas of action that will shape how the Group evolves going forward:

1. Essential Growth:
Gross premiums written are budgeted to increase by €1 billion to reach €3 billion on the back of strong organic growth, which ARAG intends to supplement through strategic acquisitions. At the same time, eligible own funds (EOF) are budgeted to rise to €2.8 billion, equating to an increase of €1 billion. This ensures that growth is not achieved to the detriment of the Group's net asset value.

2. Winning Spirit:
ARAG is nothing without its employees. They support and assist customers day in day out. It is therefore essential to continually improve ARAG's appeal as an employer, which will boost the performance culture within the Group. ARAG places a particular focus on promoting equal opportunities and diversity within the Group. Employees' willingness to recommend ARAG as a good employer is a key benchmark in this regard.

3. Embracing Clients:
Customer satisfaction is a key driver of ARAG's success. The ARAG Group therefore intends to continually increase the proportion of customers in the satisfied and very satisfied categories. Innovation campaigns for products and services and enhanced customer focus will provide key impetus for its efforts. Globally, the Group will expand and step up its activities to gauge customers' satisfaction and willingness to recommend ARAG.

4. Driving Purpose:
Building on its founding principles, the Group supports access to the law around the world, thereby strengthening democratic structures in the long term. ARAG has a once-in-a-lifetime opportunity to give its business model new relevance. The Group is simultaneously reducing its carbon footprint by cutting the carbon intensity of its investment portfolio by 50 percent by 2030 and making all of its administrative offices carbon-neutral by 2025 (see the section 'Sustainability strategy').

5. Smart Insurer:
ARAG is embarking on the next stage of its digital journey. As a Smart Insurer, it plans to enhance its speed and agility through two new targets. In the future, all core processes will be digital by default. Analog procedures will be used only where they offer advantages for a customer or partner's specific circumstances. The Group aims to streamline its processes through the increased use of artificial intelligence (AI) in product and service innovations.

The strategy is being implemented in four phases, in which ARAG employees will play a crucial role. In the ramp-up phase (2022/2023), employees will specify the targets for their departments and assign responsibilities. In the step-up phase, Horizon 1 (until

2025), ARAG intends to achieve the first subgoals and flesh out the targets for the next two phases. In the accelerate phase, Horizon 2 (until 2028), more subgoals are to be fast-tracked and the final phase prepared. In the final strengthen phase (until 2030), the focus will be on final implementation of the remaining subgoals.

Innovation

Exploring the unfamiliar, trying out the new, and advancing without fear: These are the drivers of the many different innovations in the ARAG Group. The family enterprise is continuing to demonstrate that it is flexible, adaptable, and proactive as it squares up to the challenges of the digital age. Everything centers around the dramatically changing needs and requirements of customers and consumers. In 2022, this was once again evident from the numerous innovative and groundbreaking ideas for products and services. ARAG is increasingly using key technologies, such as data mining, data analytics, and AI, in order to identify customers' individual wishes at an early stage and then develop tailored solutions.

Besides the ongoing fallout from the COVID-19 pandemic, the reporting year was marked in particular by Russia's war of aggression in Ukraine. Its manifold repercussions gave rise to additional demand from customers and consumers for products offering protection. The Group was able to meet this demand with its tailored legal insurance and private health insurance offerings and was once again able to demonstrate the strength of its capabilities in terms of speed, flexibility, and innovation. ARAG also offered rapid and practical support in Germany for refugees fleeing the war in Ukraine as well as for volunteers assisting refugees, for example in the form of a free initial legal consultation by telephone on legal matters and by way of a dedicated landing page at www.ARAG.de that provides access to relevant information.

True to its focus on action and excellence in order to deliver for its customers, ARAG went to market with further innovative insurance solutions in Germany in the year under review. In the core legal insurance division, an additional legal insurance product was launched for private individuals that offers immediate retroactive assistance, regardless of the type of cover taken out, such as professional or motor insurance. This is a unique feature in the market. ARAG is setting new standards once again, having introduced the concept of retroactive insurance in the market a few years ago when it launched its immediate assistance products for motorists and tenants. The new product line was immediately well received and won plaudits as 'Insurance product of the year' and 'Best insurance innovation' (see the section 'Accolades'). ARAG legal insurance for managers, which has been fully redesigned and substantially expanded, is available in three product lines and also contains innovative benefits. The comprehensive package of benefits for senior managers, which was introduced in autumn 2022, offers bespoke and flexible all-round protection and comprises unique components such as back-up legal insurance covering criminal proceedings (see the section 'Products and portfolios'). The ARAG Recht&Heim all-round cover product was enhanced in the reporting year through the addition of numerous benefits in the area of digital living and sustainability (see the section 'Products and portfolios').

The Group also made its mark in the markets by introducing innovations in other divisions over the course of 2022. For example, ARAG Health resolutely expanded the key strategic business line of corporate health insurance and introduced new budget rate scales in October 2022. ARAG BudgetFlex offers employees a fixed annual budget for various health benefits that they can select themselves. A modern platform solution for brokers and employers additionally provides smart handling of insurance, from taking out an insurance policy to settling a claim.

Interlloyd Versicherungs-AG, the ARAG Group's brokerage specialist, also made inroads in the market. The ARAG Allgemeine subsidiary launched innovative accident insurance in May 2022. In November, it unveiled its first pet health insurance for dogs and cats, comprising the comprehensive, all-inclusive Interlloyd TierKranken package and the Interlloyd TierOp product, which covers the costs of operations.

Digitalization is and will remain a key topic for the ARAG Group. Smart Insurer is one of the five key areas of action under the new strategy and growth program ARAG 5→30 (see the dedicated section). ARAG is adopting a new mindset, forging ahead with its digital by default approach and making increasing use of AI. Digital by default means that all processes are digital first. The Group will only use analog procedures where they offer clear advantages for its customers and partners. The legal insurance upgrade campaign at the end of 2022 provided an example of how this approach works in reality. Customers with older legal insurance rate scales received – thanks in part to the use of AI – an individual upgrade offer for the latest rate scale with outstanding benefits. For this purpose, ARAG created and implemented a digital process for automated offers regarding rate scale updates, which it can also use for other divisions following the pilot project in legal insurance.

Throughout the Group, ARAG uses AI for other purposes too, for example, in innovative bot and voicebot solutions in operations. It is also used in virtual assistants at www.ARAG.de or in robotics solutions for handling claims in order to make procedures more intelligent and faster for the benefit of customers. A strong AI push as part of ARAG 5→30 is intended to smooth the way for further product and service innovations and simpler, quicker, and more flexible processes. The new Digital Legal Service Department, which was set up in the reporting year, is further proof of ARAG's focus on customers' digital expectations. Since April 2022, the interdisciplinary team has been exclusively setting up tools and online services for customers with legal problems. With the help of agile methods, the team is working on making the digital customer journey as user-centric and intuitive as possible.

The Group has also fast tracked its implementation of agile and mobile ways of working. COVID-19 showed that employees can still perform well when working remotely. In light of the new normal in the world of work and with the new company agreement on remote working having come into force in 2021, ARAG took the next step in 2022. In the space of just one year, it fully implemented an innovative workspace strategy under the auspices of the FANTA project (a project to create a flexible approach for workplaces and teamwork at ARAG). Around 1,650 ARAG employees now work on the Düsseldorf Campus on the basis of desk-sharing and are using the available space much more effectively.

At ARAG's Munich office, ARAG Health brought the workspace arrangements in line with the changed needs as part of a dedicated project. The innovative 'smart work' workspace strategy was developed in the reporting year and will be progressively put in motion over the course of 2023.

New Work, networking, and collaboration are also the subject of ARAG's forward-looking #einfachmalanders initiative (#doitdifferently), which has now been running for five years. In 2022, the initiative once again encouraged willingness to experiment and dialogue between employees through all kinds of digital formats, inspirational online talks, and virtual sessions. Network formats enabled international ARAG employees to get involved too. The Andersmacher Community 2.0 has also been creating opportunities for new forms of collaboration between divisions and offices since 2022. To promote networking, the initiative also devised an internal work shadowing program called EinBlick (take a look).

Accolades

The ARAG Group was once again honored in the reporting year with the Goldener Bulle award for innovation from publisher Finanzen. ARAG Aktiv legal insurance for private individuals secured a podium position, having been voted 'Insurance innovation of 2022'. ARAG was awarded another Goldener Bulle and the title of 'Insurance innovation of 2023' in March 2023 for its ARAG Aktiv legal insurance. This product offers immediate retroactive cover for private individuals in any area of the law and was launched at the start of 2022. This product was also singled out by the German Institute for Service Quality (DISQ) as its 'Insurance product of the year' in 2022.

ARAG's position as an innovative and high-quality insurer was underlined with a total of seven top rankings at the German Insurance Awards, one of the biggest consumer product tests for insurance in the German market. It placed among the best three providers in the core legal insurance business and its cyber protection product ARAG web@ktiv was also honored; ARAG health insurance was the overall winner for private full-coverage health insurance and also came top in four individual categories. The insurance test was carried out by rating agency Franke und Bornberg, news channel n-tv, and DISQ.

In 2022, the renowned consumer magazine Finanztest declared ARAG personal legal insurance the winner for not one but two products, with the Premium version and the Premium Flex rate scale both receiving the best scores (1.9).

The ARAG Group also received numerous other awards and top rankings for private legal insurance products, for example from business magazine Focus-Money and Deutsches Finanz-Service Institut (DFSI), from Wirtschaftswoche in collaboration with analysts Morgen & Morgen and from Handelsblatt in collaboration with rating agency Franke und Bornberg. ARAG legal insurance for managers, which was fully redesigned and launched in autumn 2022 (see the section 'Products and portfolios'), was chosen as product of the month by trade journal Focus-Money Versicherungsprofi in December. In Franke und Bornberg's rating of commercial legal insurance, ARAG Aktiv legal insurance for the self-employed was the only product to achieve the top score.

ARAG Allgemeine, the ARAG Group's casualty and property insurer, received multiple plaudits for newly released products in 2022, including the significantly expanded ARAG Recht&Heim all-round cover product (see the section 'Products and portfolios') from Franke und Bornberg. ARAG TierProtect, the pet health insurance for dogs and cats that was launched in 2021, performed well in a survey conducted by DFSI and commissioned by €uro-Magazin and in a pet health insurance test carried out by Focus-Money. Awards for the much-enhanced ARAG private liability insurance were received from Stiftung Warentest and analysts Franke und Bornberg and ascore. The latter also rated the Komfort version of ARAG home contents insurance as 'excellent', with the Premium version receiving the best score of 'outstanding'.

In addition to its aforementioned excellent performance at the German Insurance Awards, ARAG Health was selected as one of the fairest companies for claims settlement by Focus-Money, among others. Private full-coverage insurance products ARAG MedBest and ARAG MedExtra scored highly, for example in analyses by Handelsblatt and the comparison software provider Levelnine. In the traditionally strong business line of supplementary insurance, ascore crowned ARAG MedKlinik – the new supplementary hospital rate scale – its rate scale of the month. Morgen & Morgen gave the ARAG MedKlinik private single-bed room rate scale the top rating of 'excellent'; the private two-bed room version of the rate scale was classed as 'very good'. ARAG Krankenversicherungs-AG's strong performance was designated 'excellent' by ascore.

With its comprehensive range of service offerings, the ARAG Group also continues to excel online. www.ARAG.de remains one of the best websites in the sector, as confirmed by a 2022 benchmark study by AMC Finanzmarkt GmbH. For the twelfth time, ARAG's website was classed as one of the best websites, putting ARAG among the top ten German insurers. The Group's online newsletter is also highly effective, as demonstrated by the first place in the insurance category awarded in a study on email marketing activities conducted by the German Dialogue Marketing Association (DDV) and absolit Consulting. In the 2022 Email Marketing Benchmarks, more than 5,000 leading companies from nine sectors were examined.

The ARAG Group continued to pick up accolades as an employer as well. Focus-Business magazine once again numbered ARAG among the top national employers of 2022, listing it in the top 10 insurance companies. Review platform kununu awarded ARAG the Top Company seal of approval in 2022, placing it among the top 5 percent of the most highly rated employers on the platform.

Products and portfolios

ARAG is an international insurer of considerable renown, offering innovative, high-quality insurance products. Its stated aim is to provide customers and consumers smart solutions that offer rapid, straightforward, and pragmatic help. The Group's ideas are not limited to traditional insurance policies and it always flexibly tailors its user-friendly products and services to the specific requirements of customers in their day-to-day lives. In 2022, the Group added even more innovative benefits and one-of-a-kind, needs-based services to its portfolio, both in Germany and abroad.

In its core legal insurance division, the Group revamped ARAG Allgemeine's ARAG Recht&Heim all-round cover product and upgraded it with numerous new digital features and sustainability components. Launched in May 2022, it is a combination of legal insurance, liability insurance, and home contents insurance, with residential buildings cover as an optional add-on. For example, the Premium version now includes fully comprehensive, mandatory cover for all of the household's cellphones, tablets, and smartwatches. In mid-February, ARAG had already made its mark in the market with a new legal insurance product for private individuals that provides immediate retroactive assistance. It offers customers facing acute legal problems direct assistance as soon as they take the policy out. This even includes past legal insurance cases and encompasses all areas of the law, regardless of the type of cover selected (see the section 'Innovation').

ARAG went to market with its fully redesigned legal insurance for managers in October 2022. Thanks to flexible components, this product offers bespoke protection for senior managers. An example of a unique benefit that is included as standard in the Premium version of the legal insurance covering employment contracts is special legal insurance for coverage claims in the event of disputes with the D&O insurer. Thanks to the new dedicated SOS landing page with its 'emergency button', senior managers can access an immediate legal assessment of criminal charges around the clock.

ARAG Health's new ARAG BudgetFlex rate scales that were introduced in October 2022 offer a winning combination of freely selectable health benefits for employees and numerous compelling, modern highlights. They provide a coherent strategy for employers providing corporate health insurance for employees, who can take advantage of numerous benefits (see the section 'Innovation').

International product work

The ARAG Group also performed impressively in international markets via its branches, subsidiaries, and equity investments in 2022 thanks to numerous innovative, value-adding products and services, as demonstrated by the following examples:

In the year under review, ARAG Spain updated its legal insurance cover for home owners. It includes claims relating to illegal squatting and the resulting costs for property owners. At the end of December 2022, the ARAG branch in Barcelona also went to market with a new legal insurance product for tenants called ARAG Inquilino. Since January 1, 2023, ARAG Spain and its strategic partner OCASO have also been offering a new legal insurance product for homeowners that ARAG developed in the reporting year.

ARAG Italy developed a new legal insurance for motorists product in 2022, which it launched in April 2023. The product now incorporates a retro service, meaning that the customer can access legal advice even if the insurance claim existed prior to the policy being taken out.

In 2022, the Dutch branch of ARAG SE expanded its personal legal insurance, making it available in three product lines, and also added a new legal insurance product – ZZP light (Zelfstandige zonder Personeel) – for the self-employed who do not have any staff and work from home. ARAG Netherlands also took over the legal insurance portfolio of Vereniging Eigen Huis (VEH). VEH is an alliance of current and future homeowners with around 800,000 members; the VEH portfolio is being transitioned to ARAG in 2023. Furthermore, ARAG Netherlands acquired the legal insurance portfolio of the broker EOC, a boat insurance specialist.

In 2022, ARAG Services Australia Pty Ltd enhanced its commercial legal insurance portfolio with the addition of a third product line, Business Essentials. Together with the broker Howdens, ARAG Australia is also offering new commercial legal insurance benefits as an add-on to a bundled insurance package for small companies in the building trades. ARAG Services Corporation, Canada, acquired the business of DAS Legal Protection Inc., Canada, in March 2021 and merged with ARAG Legal Solutions Inc. in January 2022. The product ranges were combined and revamped, giving rise to new legal insurance products for private individuals and traders that were launched in the reporting year.

HELP Forsikring AS, the Norwegian subsidiary of ARAG SE, developed a new commercial legal insurance product for small and medium-sized enterprises in 2022. At the same time, HELP began a strategic alliance with niche Norwegian broker Ly in spring 2022. ARAG SE's Norwegian subsidiary, together with its Swedish and Danish branches, also entered into a new group policy with mobile communications company Telenor. The policy runs for three years. Telenor customers in all Scandinavian countries and Finland can now benefit from HELP legal insurance, which protects against identity theft and cyberbullying as well as covering claims in connection with online shopping.

HELP Försäkring Filial, the Swedish branch of ARAG's Norwegian subsidiary HELP Forsikring AS, launched a strategic partnership with insurer Chubb in 2022. Since early 2022, the latter has offered two special policies for adults and children with cancer, which now also include legal insurance options from HELP. A strategic partnership in commercial legal insurance for small and medium-sized enterprises was also initiated with Trygg-Hansa, one of Sweden's largest insurers.

Sales organization in Germany

In the Group Sales, Products and Innovation area of responsibility, all sales channels work together and enable ARAG to leverage valuable synergies.

The Group's sales organization makes a fundamental contribution to ARAG's business success in Germany. ARAG Core Sales is the traditionally strong sales channel selling ARAG products exclusively: More than 1,000 ARAG Sales Partners across Germany use the network of over 100 main branch offices and other branch offices to provide customers with professional, face-to-face support and advice at local level.

The focus is on a holistic approach to advice and support. For customer visits, this is available to ARAG Sales Partners digitally via the proprietary ARAG advice app for tablets. In recognition of the advance of digitalization and the ARAG Group's focus on sustainability, applications for legal, health, property, liability, and accident insurance have not been printed out since 2018. Core Sales also uses digital touchpoints for greater connectivity, whether for contact with customers or to sign up new sales partners.

When meeting with customers in person or by video call, Sales Partners in ARAG Core Sales can now use a seamless process on an iPad to provide the full range of advice covering the customer's individual risk situation up to the point at which the customer enters into an agreement. At the end, the customer receives the completed advisory documentation.

Use of the holistic approach to insurance advice is an integral element of the basic training delivered by ARAG Sales Training. The broad-based and regularly updated range of courses from ARAG Sales Training ensures the sales managers and exclusive agents receive high-quality training and development covering ARAG and its products. The aim of the holistic advice is to clearly establish the customer's current situation and needs regarding insurance and then to develop precisely tailored solutions, taking into account all statutory requirements.

Communicating via social media has become increasingly important in recent years, and dedicated channels are now in place for each target group. For this reason, ARAG began expanding the use of social media as a sales partner communication channel in 2021. To this end, the #ARAGvorOrt initiative (#ARAGlocally) was established and, in 2022, was further enhanced in order to offer the sales partners professional help with their social media presence. It includes content that is ready for posting, training courses and workshops, and advice for sales partners on producing their own content.

ARAG Partner Sales is ARAG's successful sales channel specializing in brokers and non-exclusive agents. It has a wealth of experience in working with a variety of target groups, from specialist brokers to pool structures and sales outfits. Streamlined structures and processes minimize the effort involved for agents, while knowledgeable contacts in the Field Sales and Sales Administration organizations ensure that brokers and non-exclusive agents receive professional support in every regard. In 2022, this support primarily focused on helping brokers and non-exclusive agents on the ground with the full cost coverage rate scales for health insurance and with ARAG's successful legal insurance products, especially commercial products.

In addition, ARAG increased its customer base in online business to more than 330,000 customers. This equates to over 13 percent of the German customer base. ARAG's online business is therefore increasingly turning into a further strong sales channel.

In Germany, the ARAG Group's sales channel mix also includes sales partnerships in which made-to-measure, high-performance ARAG insurance solutions are offered under partnership agreements with other insurance companies, banks, other businesses, associations, and clubs.

It is mandatory for the ARAG companies to impose a requirement on the agents in Core Sales and advisors in all sales channels that potentially have customer contact to comply with and uphold the provisions of the EU Insurance Distribution Directive (IDD). The ARAG companies must also provide at least 15 hours of training annually. A number of basic steps are already covered by the holistic approach to advice and support in Core Sales. The continually updated digital sales process, as described above, also plays a key role. Furthermore, the promise that customers will receive high-quality products and services is in any case an essential component of ARAG's positioning as a high-quality insurer.

Corporate responsibility

As a family-managed company, ARAG's highest priority is people. The Group's innovative strength and wealth of ideas enable it to maintain long-term satisfaction, both for its customers and for its more than 4,700 employees worldwide. ARAG puts sustainability into practice every day: in how people interact with one another, through shared corporate principles, and through the provision of an attractive and modern workplace with excellent continuing professional development (CPD) opportunities, employee benefits, and an extensive corporate health management program.

ARAG Essentials

The ARAG Essentials are the Group's corporate principles and encapsulate the objectives of the commitment that ARAG's employees, managers, and owners share. They describe the values of the organization and serve as guidance for the conduct of business in the Group. The ARAG Essentials include ARAG's founding principles, identity, corporate ambition, and values. They help to shape the Company's future for the benefit of its customers, supporting these customers with innovative solutions.

In 2020, the ARAG Essentials were completely revised with particular regard to the issues of digitalization, new ways of working, and leadership behavior – and getting employees involved across the Group. As part of the updates to the new corporate principles, which are broken down into four sections, the six ARAG values were 'reloaded' and given an even greater level of emphasis. In addition to underlining the corporate ambition and identity, the ARAG Essentials also bring to the fore ARAG's visionary and, at the same time, sustainable founding principle – equality of opportunity before the law – as a guiding theme that underpins all the Group's activities.

To implement the ARAG Essentials reloaded throughout the Group, ARAG turned for the first time to a worldwide digital approach that saw all employees participate in virtual workshop discussions about the meaning and implementation of the ARAG Essentials. The ARAG teams recorded the results in digital log books. An evaluation of these 364 international and German logbooks showed that employees across the Group identified strongly with ARAG. It was also clear that they very much agreed with the family enterprise's corporate principles. Furthermore, the evaluation confirmed employees' commitment to working together to take the Company forward.

Derived from the ARAG Essentials, the ARAG Leadership Essentials set out the changing requirements for managers at ARAG. The revised Leadership Essentials were rolled out across the Group in 2022 along with new skills models and manager training courses. Implementation included workshops with all participants as part of the Group Management Conference in August 2022 and the provision of digital information and live online sessions on a digital platform. The ARAG Leadership Essentials set out the Group's vision of management and collaboration at ARAG and provide direction for senior managers in their actions and their personal development, and the personal development of their teams.

ARAGcare

Alongside measures to protect employees, ARAG has for some time invested over the long term in employee health and has established ARAGcare, a corporate health management program that forms a core component of the ARAG Group's HR policy.

ARAGcare offers a comprehensive range of services relating to health & fitness and work/life balance, thereby making a valuable contribution to maintaining and nurturing employees' health and capacity to work. Regular services are provided, depending on location, and include checkups, advice, flu vaccinations, help finding childcare, and a wide variety of sports activities.

A COVID-19 booster vaccination program was also offered in 2022, enabling employees and sales partners to be vaccinated by the company doctors at two sites in Germany. The ongoing pandemic meant that there was again a particular focus on digital options for employees in 2022, such as virtual fitness sessions with a personal trainer. The existing employee advice hotline became increasingly important, providing a source of support for psychosocial issues and challenges. Consultations with the company physician can be virtual or face-to-face, depending on the employee's personal preference. To enable return-to-work and disability management to continue in optimum fashion, the related advice from external experts is also provided virtually or face-to-face.

As part of ARAG's efforts to prevent mental illness, preparations were carried out for a service to assess the risk of mental health problems. The aim of this questionnaire-based assessment is to identify targeted measures with which to improve working conditions.

Employees

ARAG relies on a skilled and highly motivated workforce to ensure that it delivers on its value proposition. At the end of 2022, the ARAG Group had a total of 4,760 employees, of whom 2,242 were based in Germany and 2,518 in other countries. The Company also provides successful training programs in Germany, enabling its trainees to gain vocational qualifications in insurance and investment or in IT (with a focus on systems integration or application development).

An internal health and safety team was set up at ARAG at the start of the pandemic. Together with the company physician, the team developed hygiene protocols, which were rigorously implemented in ARAG's office buildings. These included precautions such as a requirement to wear face masks in communal areas, one-way systems, additional provision of sanitizer dispensers in exposed areas, and a limit on the number of people in the building based on the level of coronavirus cases. The internal health and safety team met regularly to discuss the situation and determine appropriate action, taking account of decisions made by the federal government. One of the internal health and safety team's key objectives is to ensure that employees are kept informed via the intranet of the latest situation, the decisions and steps taken by policymakers, and the associated safety requirements implemented by the Group.

A significant range of options were created to promote and maintain social contact between employees and to offer psychological support during the pandemic. These include help pages with tips on working from home, informal digital chat rooms (such as shared virtual coffee breaks), after-work events, and workshops for virtual team collaboration. The Management Board also digitalized its communications in the pandemic. A large number of virtual live discussions and video podcasts are used to provide employees with first-hand information on current issues in the Group. In order to continue providing employees with the best possible support in these circumstances, employees had the option to be paid rather than receive time off in lieu for overtime, parents of school-age children had an option to receive private online tuition for their children from an external service provider, and an extra day's holiday was available when employees' parents were vaccinated against COVID-19.

Employee skills and qualifications

Alongside vocational training, ARAG attaches huge importance to the skills, qualifications, and professional development of its workforce. Its goal is to be the best provider of legal insurance worldwide and also to be one of the best in the other segments in Germany. To this end, the Personnel Development Department at ARAG regularly offers content and method-based training so that all employees are able to optimize their knowledge and skills in line with current and future requirements.

As part of the Smart Insurer Program, Personnel Development is implementing new learning and development formats with which to inform and qualify employees and managers and help them to develop their digital mindset and skill set. This encourages employees to acquire new competencies and meets the need for greater skills training. For some years, training courses have been offered on topics such as agile project management, scrum, change management and the culture of no-blame, Office 365, and personal ability to adapt to changes resulting from digitalization. As managers are among the drivers of the digital transformation, a special hybrid management training program has been implemented.

In 2019, the growing relevance of digitalization prompted ARAG to introduce the Masterplan video-learning platform in order to promote employees' understanding of digitalization and help them to acquire the necessary knowledge. The digital learning offering includes a basic digitalization course, covering topics such as New Work, digital corporate culture, innovative working methods, and new technologies. Since the launch, more than 750 employees have updated their knowledge using Masterplan's video sequences.

A further key component in ARAG's strategy for retaining suitably qualified employees in the Group is to provide employees with simple, fast access to a wide range of attractive CPD opportunities. ARAG's state-of-the-art inhouse learning management system, Learn to Develop (L2D), offers all employees access to training and development options with relevant content in a range of different formats, such as traditional seminars, webinars, and a variety of e-learning approaches. The ARAG Group's main customer-facing departments use L2D for their own functional training strategies. A new online learning resource, KVpedia, has also been specially created for health insurance know-how.

Once again in 2022, training to enhance digital skills was offered in order to help employees to manage hybrid methods of working, including extensive training on relevant technologies, Office 365, remote working, and other pertinent topics. The training was available in face-to-face or virtual formats. The use of virtual formats ensured that ARAG could continue to run assessment centers for internal and external candidates without interruption.

Corporate social responsibility

ARAG is a family enterprise. As a consequence, ARAG attaches great importance to the interconnection between corporate and social responsibility. This is reflected in the extra corporate social responsibility taken on by the Group, especially where government agencies are unable to step in with help where it is really needed.

Based on these values, ARAG is involved in a range of development programs and initiatives. Since 2014, ARAG has been successfully offering its innovative development project known as Conflict Management in Schools. Supported by the North Rhine-Westphalia Ministry for Education and Schools, this program is offered to all high schools and vocational colleges in North Rhine-Westphalia. The project focuses on the introduction of universal quality standards for conflict management structures, preventive measures, and intervention techniques. Teachers and specialists in educational social work are trained as school mediators and go on to train school students as conflict controllers.

A total of 405 school mediators at 131 high schools and vocational colleges in different school districts across North Rhine-Westphalia have taken part in the nine training cycles carried out so far. As a consequence of the COVID-19 pandemic, many teachers and specialists in educational social work faced the challenge of teaching online and implementing appropriate hygiene measures in schools. In order to continue with this development initiative despite the pandemic, the digital training strategy introduced in 2020 was again successfully deployed in the reporting year. This led to a total of 24 participants from an additional five high schools across North Rhine-Westphalia being trained as school mediators in 2022, in spite of the increased day-to-day demands on schools.

Since September 2016, ARAG has also been a sponsor of MediationsZentrale München e.V. The school mediation team at this not-for-profit organization regularly sends out professionally trained mediators to public-sector and private schools in the greater Munich area to act as impartial points of contact for all conflicts and problems arising in day-to-day school activities.

The proactive protection of children and young people against online threats is another key focus of corporate social responsibility at ARAG. The internet is changing and affecting the lives of people around the globe – including to a large degree the lives of children and young people – and is bringing not only opportunities but also risks. Suitable prevention is vital to avert these risks. Important areas of prevention lie in the long-term development of media skills and in the provision of information and education, as well as the raising of awareness about the consequences of bullying. Since 2019, www.hass-streichen.de ('crossing out hate') has provided comprehensive, up-to-date information on this issue.

Corporate social responsibility at ARAG also extends to the provision of support for the German Children and Youth Foundation (DKJS), specifically in the area of digital education. For more than 25 years, DKJS has been operating projects and programs throughout Germany, helping children and young people have the courage to take control of their own lives and play a role in society. Schools throughout Germany are faced with the challenge presented by the digital transformation. At the same time, digitalization opens up numerous opportunities for school-based education. ARAG and DKJS therefore launched a joint program in November 2017 referred to as 'bildung.digital' (digital education). This program helps schools to develop digital education strategies and ensure that the strategies become firmly established as part of their activities. The school development networks initiated by bildung.digital in 2021 were completed on schedule in 2022. A total of 50 schools from eight federal states, including North Rhine-Westphalia, participated in cross-state networks and in networks aimed at strengthening education on European issues and fostering Europe-related knowledge and skills. That brought the second phase of the bildung.digital program to a close.

ARAG sustainability strategy

As an internationally successful family enterprise, the ARAG Group understands the importance of the sustainable transformation of the economy and society. For ARAG, sustainable development and structures are the basis of social, economic, and environmental stability. As the leading legal insurer worldwide, ARAG can play a valuable and active part in supporting and driving forward the societal change needed for this sustainable transformation. In pursuit of these targets, ARAG adopted a groupwide sustainability strategy in the reporting year, which defines specific targets relating to the environment, social matters, and corporate governance. The Group is guided in its efforts by the 17 sustainable development goals (SDGs) of the UN Global Compact. ARAG can make its biggest contribution to SDG 16 – Promote the rule of law at the national and international levels and ensure equal access to justice for all. Access to the law based on equality of opportunity dovetails with the Group's visionary founding principle when it was established more than 87 years ago and lies at the heart of the ARAG Essentials. The various sustainable development goals are also reflected in the environmental, social, and corporate governance (ESG) principles. Consideration of ESG aspects has become established in legislation (section 289a of the German Commercial Code [HGB]) and is also the organizational principle of the EU taxonomy. The ARAG Group therefore follows the ESG principles when describing its strategic goals.

Environment

The ARAG Group fulfills the obligations incumbent on it as an investor, risk carrier, and operator of its own sites to use all natural resources sustainably. It expressly adheres to the provisions of the Paris Agreement on climate change to limit global warming to 1.5 degrees Celsius. Through active portfolio management and an increase in the volume of sustainable investments, ARAG aims to make its investment portfolio greenhouse gas-neutral by 2050. This will be achieved using interim targets. Compared with 2021, active portfolio management is expected to cut the carbon intensity (scopes 1 and 2) of equities and corporate bonds in the investment portfolio by 25 percent by 2025 and by 50 percent by 2030. The interim targets will be reviewed regularly and specified in more detail as the science progresses and data becomes available. Another aspect in the drive to make ARAG's investments more climate-friendly is the increase in sustainable investments that mitigate climate change. As a risk carrier, ARAG endeavors to help consumers and businesses to achieve and comply with environmental goals and standards. ARAG consciously incorporates sustainable benefits, services, and pricing features when creating its products. In underwriting, ARAG attaches great importance to its (business) customers maintaining ESG standards. The Group aims to check a customer's fulfillment of ESG standards when performing its risk assessment.

At all its administrative sites around the world, ARAG intends to be net zero carbon by 2025. In terms of customer communication, ARAG will go mainly digital in its provision of policy documents and information sheets and in its correspondence. There will be exceptions where the law requires communications to be in paper form.

Social

The sustainable transformation of the economy and society can only be achieved on the basis of social and political stability. Legal insurance already makes a substantial contribution to ensuring equality of opportunity and access to the law. ARAG boosts its customers' rights in the essential areas of work, the home, physical and mental health, education and participation, equal treatment, and privacy, whether analog or digital. In addition, legal insurance can support consumers in legal proceedings in relation to environmental offenses, for example proceedings against companies that do not meet sustainability requirements or do not comply with or meet related value propositions.

Legal insurance plays a major role in promoting access to justice around the world. Aware of its role as an international company, ARAG has decided to hold an ARAG Day in all of its legal insurance markets from 2023 onward, during which consumers – particularly those in greatest need – can obtain free legal guidance on certain aspects of the law.

In addition, ARAG aims to give its legal insurance customers around the world access to the law more than two million times per year by 2030. The Group intends to progressively expand its out-of-court conflict mediation services for its customers.

In its underwriting business, ARAG avoids taking on exposures if it is known that they contravene standards of human rights, decent working conditions, or equal opportunities, or where the customer cannot document any steps it has taken to transform the ESG impact of its business. The same applies to asset management. ARAG does not support those seeking to raise capital through investments that contravene standards of human rights, decent working conditions, or equal opportunities, or where the business cannot document any steps it has taken to decarbonize its carbon-based business model. In order to review its investment decisions, ARAG uses exclusion lists and integrated ESG approaches in asset and risk management.

A key indicator of whether we are living up to our ambitions is the satisfaction of our customers. ARAG will always strive to enhance the quality of its work in the interests of its customers. The Group therefore continually measures customer satisfaction and customers' willingness to recommend ARAG and uses the insights it gains to guide its business strategy. ARAG uses a net customer satisfaction score to gauge its customer's satisfaction and a net promoter score to establish customers' willingness to recommend ARAG. ARAG applies the same standards to its capital.

As a provider of legal insurance, the principle of equality of opportunity lies at the heart of ARAG's business model. And promoting equal opportunities and diversity within the Group itself is therefore naturally also one of ARAG's guiding principles. All employees are offered the same opportunities for professional development – irrespective of age, gender, nationality, marital status, or other personal circumstances. The proportion of female managers has been rising continuously at ARAG SE for many years. The proportion of women at the first management level is 34 percent (2021), while at the second management level it is 36 percent (2021). ARAG will continue to progressively increase the number of women in managerial positions until it achieves a balanced gender ratio.

Corporate governance

As an international insurance company, the ARAG Group is subject to extensive regulation by German and international supervisory authorities. Comprehensive reporting obligations ensure that business activities are recorded transparently and in detail.

For ARAG, the principle of good corporate governance goes beyond the statutory requirements. Since 2006, its corporate principles, the ARAG Essentials, have set out its aims and principles for good and successful corporate governance. The ARAG Leadership Essentials translate those corporate principles into leadership behavior. Compliance with the ARAG Essentials is an integral component of management remuneration and accounts for 25 percent of annual performance appraisals.

ARAG is the leading legal insurer worldwide and therefore attaches great importance to compliance. Centralized and decentralized compliance functions serve to ensure that the Company always acts in accordance with regulatory requirements. The compliance function examines groupwide implementation as part of an annual reporting process. ARAG has a zero-tolerance policy as regards infringements of the law or mandatory regulations. The work of the compliance function is included in the annual information published in the non-financial statement for the Group.

Group Management Report

Group Management Report

Changes in premium income and sales revenue

(€ million)	2022	2021	2020
Legal insurance	**1,345.2**	**1,258.5**	1,155.1
of which domestic	**520.4**	**491.2**	443.1
of which international	**824.8**	**767.2**	712.0
Casualty and property insurance	**308.1**	**274.5**	263.4
of which domestic	**225.7**	**218.1**	216.2
of which international	**82.4**	**56.4**	47.2
Health insurance	**546.1**	**484.4**	430.2
Service companies	**41.5**	**25.1**	23.0
Total	**2,240.9**	**2,042.6**	1,871.7

- Group records further growth in all segments
- Direct legal insurance business in Germany rises by 5.6 percent
- With renewed strong growth of 12.7 percent, health insurance is the segment with the highest sales revenue in Germany
- International business income up by 10.1 percent
- Another record underwriting result at €158 million

Group Management Report

I. Group Fundamentals

The ARAG Group is the largest family-managed insurance company in Germany and the leading legal insurer worldwide. It focuses on insurance products and services aimed at both private and small business customers. It does not operate diversified corporate insurance business. ARAG is a provider of high-quality insurance with a multidimensional approach, offering its customers in Germany not only its core legal insurance policies but also its own needs-based products and services in casualty and property insurance and health insurance business.

ARAG began to make inroads into markets outside Germany more than 60 years ago. Including Germany, the ARAG Group now operates in a total of 19 countries through branches, subsidiaries, and equity investments.

In addition to the Group headquarters in Düsseldorf and the offices in Munich, the ARAG Group maintains, through ARAG SE, international branches in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, and Spain. Branches of ARAG Allgemeine Versicherungs-AG also operate legal insurance business in the United Kingdom and in the Republic of Ireland. Another branch is maintained in Spain through Interlloyd Versicherungs-AG and operates in the casualty and property insurance business. The international branches run their operating businesses in their local markets independently, taking into account the specific local circumstances in each case.

Legal insurance is also provided in the United States, Norway, Sweden, and Denmark. In each case, the business is operated through legally independent subsidiaries, under the unified management of ARAG SE in its role as parent company. In addition, the ARAG Group operates in Switzerland through an equity investment in a legal insurance associate. In the United Kingdom, Canada, and Australia, ARAG acts as a broker for legal insurance business and legal-insurance-related special service package business, passing this business to local and international 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.

In terms of strategy, the ARAG Group is building on its dynamic growth and great willingness to embrace change and steadily extending its competitive edge in property and health insurance. Legal insurance business continues to drive the Group's internationalization.

II. Report on Economic Position

Economic and sector conditions

Three years after the outbreak of the COVID-19 pandemic, the global economy is still facing significant challenges. The zero-COVID policy in the People's Republic of China, which encompassed strict measures such as the closure of businesses and production facilities and was pursued until the end of 2022, adversely affected downstream supply chains around the world.

The challenging situation worsened dramatically at the start of 2022 when the Russian Federation invaded Ukraine. In response, various sanctions were imposed on Russia, primarily by western nations, including restrictions on the supply of Russian gas. This further exacerbated the existing disruptions to production. What is more, energy costs soared, pushing up the production cost of industrial products and food. Inflation rates across Europe, the United States, and other economies surged and wages plummeted in real terms, hitting households and businesses very hard. The German Council of Economic Experts estimates that the global rate of consumer price inflation stood at around 7.6 percent in 2022 (2021: 3.4 percent).

The fast pace of inflation put central banks around the world under intense pressure to react and saw the US Federal Reserve (Fed) raise interest rates for the first time in March 2022, followed by several more hikes throughout the year. After some initial hesitation, the European Central Bank (ECB) followed suit in autumn 2022. Fanned by the expansionary monetary policy pursued in virtually all major economies in recent years, government borrowing and thus government debt jumped. Given the higher interest rates, public budgets have been left with considerably less leeway.

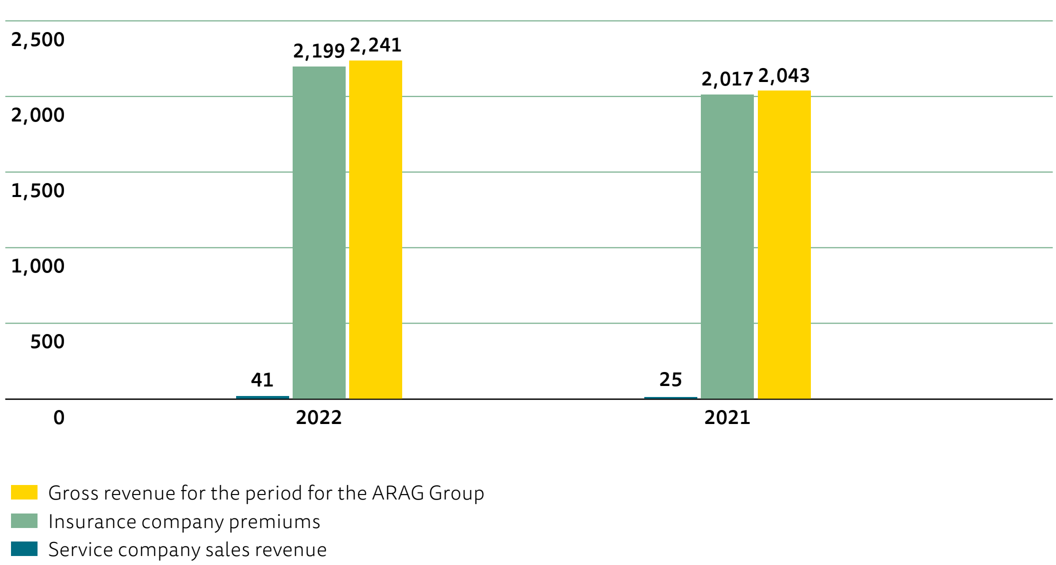
In the first half of 2022, the lifting of measures to contain the spread of COVID-19 revived the global economy. However, this revival was overshadowed by the aforementioned effects from the war in Ukraine and the related political and financial uncertainty. According to estimates by the German Council of Economic Experts, the resulting dent in global trade and the contraction in worldwide industrial output led to growth of 2.8 percent in global gross domestic product (GDP) in 2022, compared with growth of 6.2 percent in 2021.

In Germany, the energy crisis coupled with inflation heaped financial pressure on households, leading to a fall in consumer demand. The 2022 annual report of the German Council of Economic Experts predicts that the eurozone's GDP will have risen by roughly 3.3 percent (2021: 5.3 percent) and that of Germany by 1.7 percent (2021: 2.6 percent) in the reporting year.

According to the ifo Institute of Economic Research (ifo), the German insurance industry was generally negative about the course of business in 2022. Despite the challenging economic conditions, however, it again proved to be robust in the face of a crisis and its premiums declined by only around 0.3 percent (2021: growth of 1.7 percent) according to the German Insurance Association (GDV). Notably, the decline was driven by a sharp decrease in premiums in the life insurance business, which ARAG has discontinued. Premium income in direct casualty and property insurance business will probably have gone up by 4.0 percent, which is well up on the prior-year growth of 3.0 percent and is mainly the result of inflation adjustments. The legal insurance segment did not manage to beat the premium growth notched up in the previous year but nonetheless recorded another notable increase of 3.0 percent (2021: 4.5 percent), driven by the opportunity to moderately adjust premiums. In the private health insurance segment, the rise in premium income of 3.9 percent in 2022 was still healthy (2021: 5.7 percent). It was driven by adjustments to rate scales in full-coverage health insurance and ongoing demand for supplementary health insurance.

Gross revenue for the period

(€ million)



Business performance and results of operations

The ARAG Group's insurance business was very encouraging during 2022 despite the ongoing crises caused by the war in Ukraine, supply chain disruptions, and the shortage of skilled workers, the effects of which were felt globally, across Europe, and in Germany, as described above. The premium targets set for the reporting year were once again comfortably exceeded. Gross premium income from insurance business rose by 9.0 percent in 2022, from €2,017,434.8 thousand to €2,199,391.6 thousand. Including the service providers' activities, the total premiums and sales revenue in the Group amounted to €2,240,927.7 thousand (2021: €2,042,571.6 thousand).

Demand for full-coverage health insurance and legal insurance remained high in the German insurance market, enabling ARAG to increase its premium income by 8.2 percent and thereby once again exceed the average market growth rate. ARAG's premium income amounted to €1,292,166.6 thousand (2021: €1,193,806.7 thousand). Inward reinsurance business from non-Group primary insurers in the United Kingdom, Canada, the Republic of Ireland, and Australia is included in German business. Substantial new full-coverage health insurance business and a sharp rise in German legal insurance business, coupled with a low lapse rate, contributed to the strong domestic growth.

Gross premium income from direct legal insurance business in the German legal insurance market rose by 5.6 percent year on year. Gross premiums written went up by €24,927.6 thousand to €471,067.7 thousand. This increase was derived from the addition of 59,649 policies to the customer base. Inward reinsurance business in Germany principally grew as a result of business performance in Canada and the favorable EUR/GBP exchange rate, and was up by 9.3 percent with premiums of €49,310.1 thousand. In total, the German legal insurance business generated growth of 5.9 percent.

The gross premiums of the international legal insurance business went up by 7.5 percent to €824,803.9 thousand in 2022 (2021: €767,237.5 thousand). Significant increases in premiums (6.8 percent) were achieved in inward reinsurance business in the Netherlands as a result of collaboration with new primary insurance providers. Direct business grew by 6.6 percent in Austria thanks to new policies taken out. In Italy, premiums edged down by 0.4 percent due to the loss of primary insurance providers. Premiums rose by 25.1 percent in the United States, fueled in part by the USD/EUR exchange rate. In Scandinavia, sales revenue declined by 1.9 percent due to the delayed conclusion of new multi-year policies. The international markets with the highest sales revenue are the Netherlands, Italy, the United States, Spain, Austria, and Scandinavia. On the back of its very good performance in 2022, ARAG SE has cemented its position as the leading legal insurer worldwide.

The Group's health insurance business continued on its strong growth trajectory from the prior year, recording growth of 12.7 percent in 2022 and therefore surpassing the level of premiums achieved by the German legal insurance business. The increase was mainly driven by expansion in the full-coverage health insurance business. The number of customers in this business went up by 16,433 with monthly premiums written of €47,744.0 thousand (12.7 percent).

The COVID-19 pandemic continued to influence business performance in the casualty and property insurance segment in 2022, but strong sales activities gave rise to premium growth nonetheless. Outside Germany, a tangible recovery in international special service package business set in following the lifting of the various travel restrictions. Gross premiums in this segment advanced by a total of 12.2 percent year on year to €308,138.3 thousand.

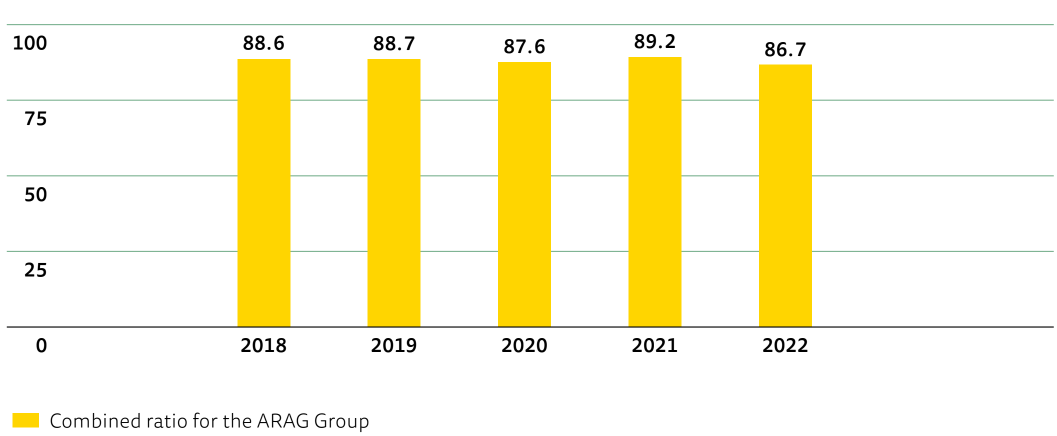
The Group's portfolios comprised 11.9 million policies as of the reporting date (December 31, 2021: 12.2 million). These can be broken down into 8.0 million policies (December 31, 2021: 8.4 million) related to the international business and 3.9 million policies (December 31, 2021: 3.8 million) arising from domestic business. Added to this were a further 20.2 million (December 31, 2021: 20.4 million) insured risks in the domestic sports insurance business (property and casualty insurance segment), which ARAG covered via 18 group policies – primarily with state sports associations. The decline in international business is due to three major policies expiring in Scandinavia in 2022. New policies were taken out in 2023.

The sales revenue generated by non-insurance companies in the Group swelled by 65.2 percent, from €25,136.8 thousand to €41,536.1 thousand. This was due to acquisitions in the prior year and the considerable expansion in Canadian business activities following the restructuring at the start of the reporting year.

In the legal insurance business as a whole, claims incurred rose from €616,841.0 thousand in 2021 to €630,316.9 thousand in the year under review. This was chiefly due to the expansion of the volume of business. In the casualty and property insurance business, claims incurred related to travel insurance, which saw an increase following the lifting of all travel restrictions, and claims incurred related to accident insurance rose by a total of €22,566.9 thousand to €158,571.5 thousand. Once again, this also reflected the effects of storm events in Germany, this time in February 2022. The general accident insurance and general liability insurance segments saw an approximately 30 percent rise in the number of claims year on year. However, the expense for major claims fell considerably. In the health insurance business, expenses for claims incurred went up by 9.8 percent to

Changes in combined ratio

(%)



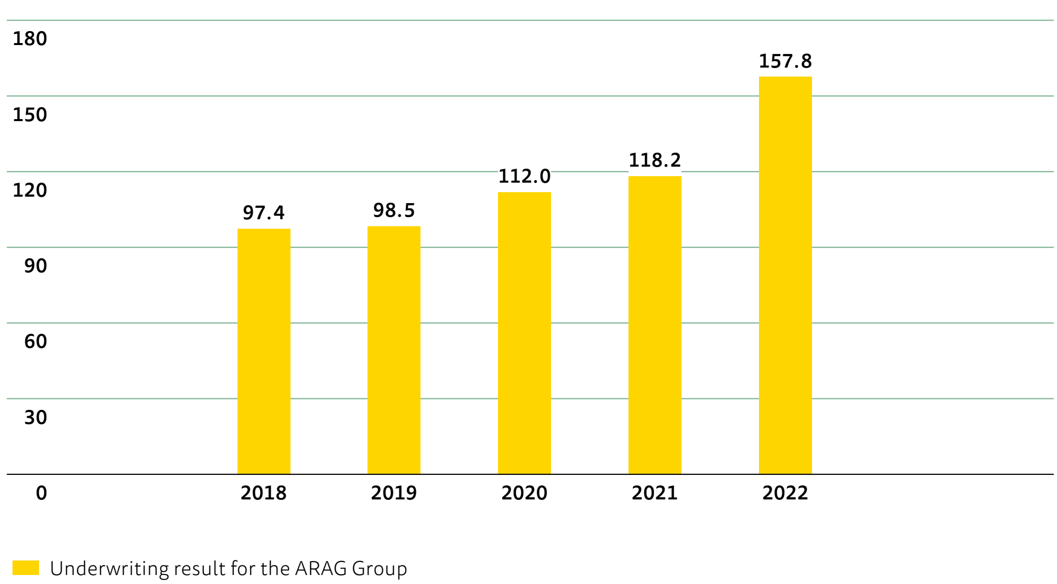
€301,040.1 thousand because of the significant increase in the number of full-coverage insurance policies. The claims ratio in this business fell, however, from 56.7 percent in 2021 to 55.3 percent in the reporting year. In absolute terms, claims incurred by the Group in the year under review were considerably higher than in the prior year as a result of growth. The Group claims ratio decreased from 51.7 percent to 50.2 percent.

Insurance business operating expenses in the Group rose by 6.3 percent to €791,384.0 thousand in 2022 (2021: €744,695.6 thousand). This increase was essentially attributable to the Group's continual growth and the related rise in commission. The Group also continued to invest in staff and processes in order to support the strong growth. The cost ratio decreased from 37.5 percent in 2021 to 36.5 percent in the reporting year. The Group's combined ratio declined as a result of growth in 2022 and, at 86.7 percent, was much improved (2021: 89.2 percent).

The ARAG Group's underwriting result therefore rose considerably to a profit of €157,760.4 thousand, which was substantially higher than the good prior-year profit of €118,210.1 thousand, although €19,596.1 thousand had to be added to the equalization provision (2021: €7,479.9 thousand). The underwriting result of the overall non-life insurance business (legal insurance and casualty and property insurance) rose strongly year on year to a profit of €131,332.3 thousand (2021: €95,998.0 thousand). In the health insurance business, the underwriting result rose from a profit of €22,212.1 thousand in 2021 to a profit of €26,428.1 thousand despite business growth and the increase in benefits paid. As in previous years, the core legal insurance business was the most profitable Group segment, generating an underwriting profit of €124,675.4 thousand (2021: €81,611.6 thousand).

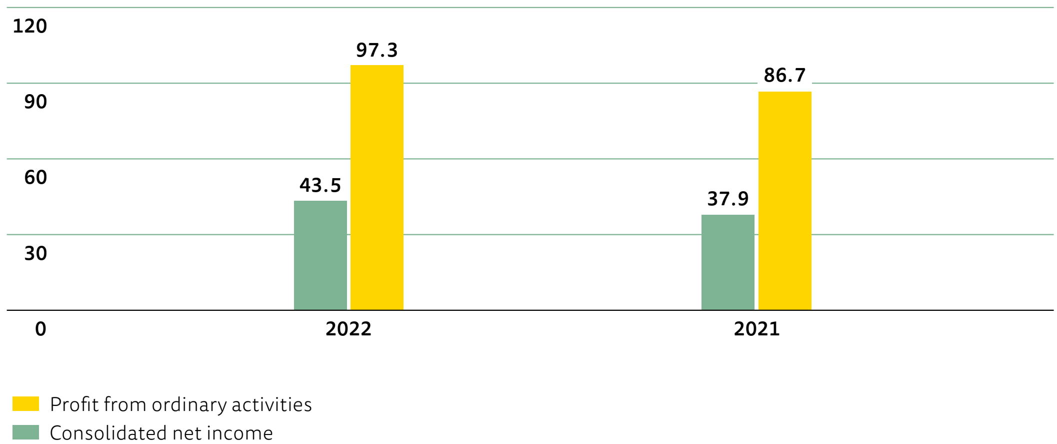
Changes in underwriting result

(€ million)



Net income

(€ million)

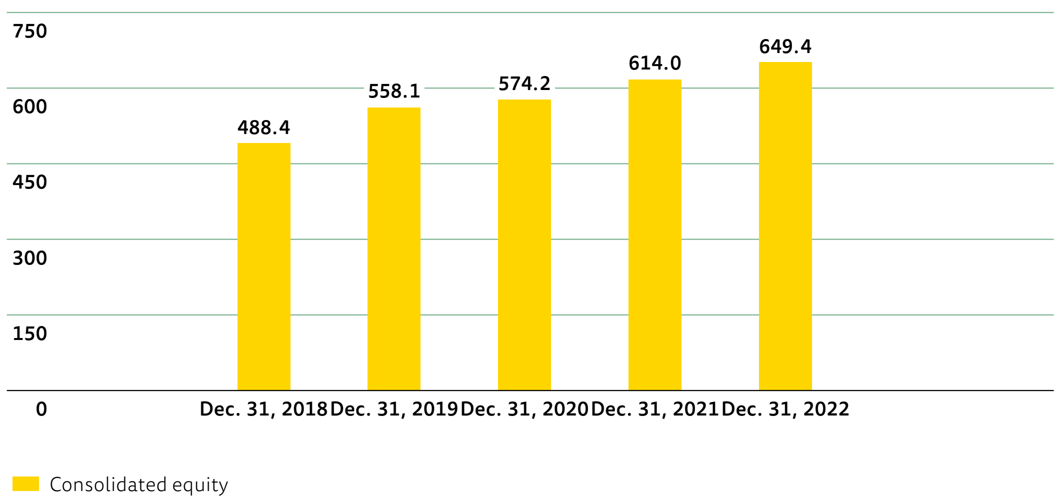


In line with the forecast, the Group's net gains on investments declined tangibly year on year. One of the main reasons for this was the change in interest rates, which had led to sharp falls in fixed-income security prices triggered by the ever quickening pace of inflation following multiple interest-rate hikes by the US and European central banks. This led to write-downs on such investments, although most of the bearer bonds in the Group were classified as fixed assets held as long-term investments and therefore the discretionary principle of lower of cost or market value was applied. Nonetheless, ordinary income was reinvested in institutional funds so that capital market volatility can be better absorbed in the future. Overall gains and losses on investments – including the share of gains and losses contained in the underwriting account – amounted to net gains of €52,010.6 thousand (2021: €80,310.7 thousand). Of this total, €48,011.7 thousand was assigned to the underwriting result (2021: €51,327.7 thousand).

The net expense reported under other net income/expense increased again from €61,320.2 thousand in 2021 to €64,892.1 thousand in 2022. This increase is due partly to the inflation-induced rise in pension and other post-employment benefit expenses for pensioners and partly to additional expenses for the digitalization and modernization of core processes. Profit from ordinary activities amounted to €97,287.5 thousand and, contrary to expectations, was thus significantly above the prior-year figure of €86,727.5 thousand. The Group's tax expense amounted to €53,751.9 thousand (2021: €48,875.1 thousand). After deduction of taxes, consolidated net income came to €43,535.6 thousand (2021: €37,852.5 thousand). Of this sum, €737.2 thousand was attributable to non-controlling interests (2021: €772.7 thousand).

Changes in equity

(€ million)



Financial position

The objective of the management of financial resources is to ensure that the Group holds adequate capital and manages its liquidity such that it is able to satisfy its obligations arising from the insurance business at all times and to exceed by some way, rather than simply satisfy, the regulatory solvency capital requirements for insurance entities. Until 2021, the subordinated liabilities reported on the balance sheet qualified as basic own funds in accordance with section 89 (3) no. 2 of the German Insurance Supervision Act (VAG). Due to their residual maturity, this was no longer the case as of December 31, 2022. The subordinated liabilities comprise a registered bond with a value of €30,000.0 thousand that matures on July 29, 2024.

In addition to current bank balances and cash on hand, the ARAG Group has investments at its disposal – where not allocated to non-insurance companies in the Group – that can be sold on the capital and financial markets at short notice, thus ensuring that the Group is able to satisfy its payment obligations under insurance contracts at all times. There are obligations to pay in capital into private equity funds and infrastructure funds in an amount of €318,343.9 thousand, which is funded using surplus liquidity from ongoing insurance business.

Consolidated equity increased further in the year under review, from €613,969.5 thousand to €649,366.1 thousand.

Further information on the extent of investments, purchases of property and equipment and of intangible assets, and changes in the liquidity of the Group in the year under review can be found in the cash flow statement within the consolidated financial statements.

Net assets

The Group's portfolio of investments grew by 5.5 percent in 2022, from € 5,301,810.3 thousand to € 5,592,962.9 thousand. The breakdown and year-on-year changes in investments were as follows:

Type of investment

(€ million)		Dec. 31, 2022		Dec. 31, 2021	
I.	Land and buildings	183.5	3.3 %	187.1	3.5 %
II.	Shares in affiliated companies and equity investments	21.7	0.4 %	18.9	0.4 %
III.	Lending to affiliated companies and equity investments	3.8	0.1 %	3.8	0.1 %
IV.	Equities and investment fund shares/units	1,839.9	32.9 %	1,829.0	34.5 %
V.	Bearer bonds	2,371.7	42.4 %	2,087.3	39.4 %
VI.	Loans secured by mortgages and land charges	0.0	0.0 %	0.0	0.0 %
VII.	Registered bonds, promissory notes	1,023.0	18.3 %	1,060.2	20.0 %
VIII.	Bank deposits	84.3	1.5 %	46.9	0.9 %
IX.	Sundry lending	0.1	0.0 %	0.1	0.0 %
X.	Miscellaneous investments	0.0	0.0 %	0.0	0.0 %
XI.	Deposits with ceding insurers	65.2	1.2 %	68.6	1.3 %
Total		**5,593.0**	**100.0 %**	**5,301.8**	**100.0 %**

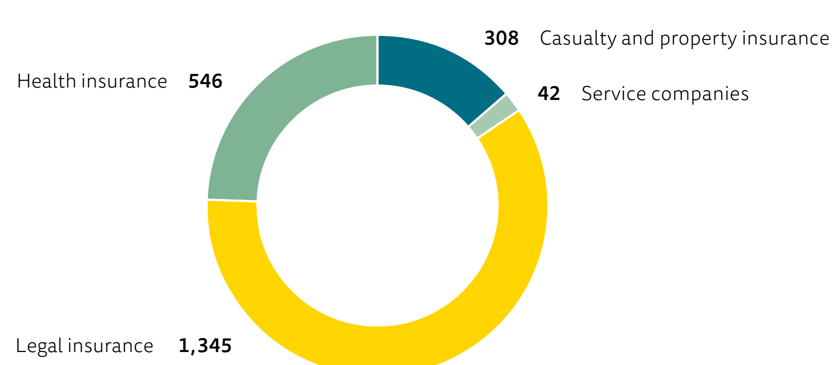
Segment reporting

The Group comprises the following operating segments:

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

Premiums and sales revenue by segment in 2022

(€ million)



Gross premium income

(€ million)	2022	2021
Legal insurance	1,345	1,258

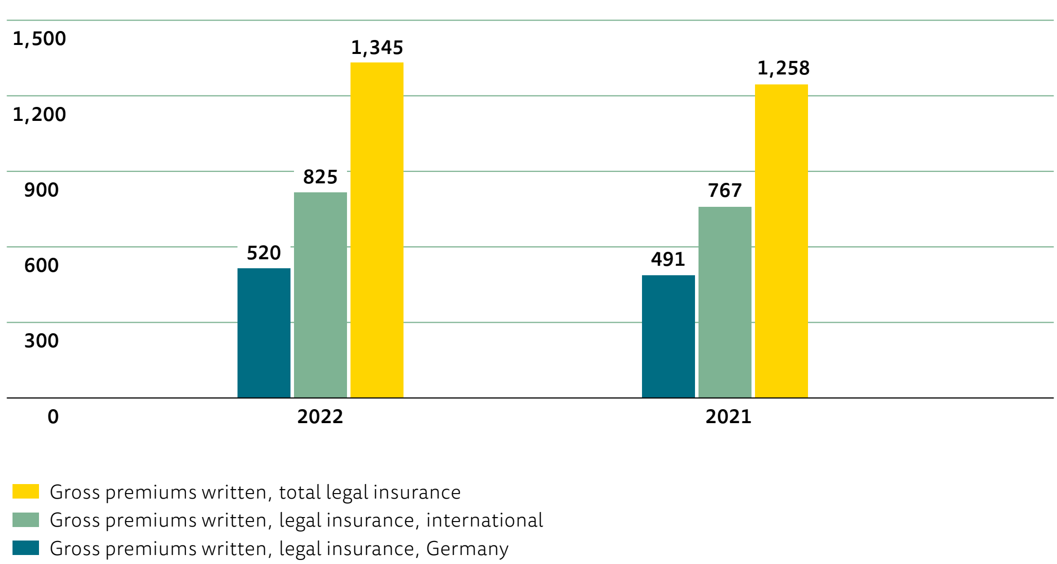
Legal insurance

The legal insurance segment represents the ARAG Group's core business and is the most profitable insurance segment. Sustained increases in Germany, together with the continuation of the growth trajectory in international markets, resulted in a year-on-year rise in premium income in the segment of 6.9 percent to €1,345,181.7 thousand. Despite the high growth in the German legal insurance business, the proportion of total legal insurance premiums accounted for by the international legal insurance business rose again year on year to 61.3 percent (2021: 61.0 percent). The German business includes inward reinsurance business of ARAG SE's headquarters from non-German primary insurers outside the Group. This business is brokered by the Group's inhouse intermediaries. This business increased by 9.3 percent year on year, from €45,102.7 thousand in 2021 to €49,310.1 thousand in 2022. In the international business, the markets in the Netherlands, Austria, and the United States provided particularly strong growth impetus.

Claims incurred in the whole of the legal insurance segment rose from €616,841.0 thousand to €630,316.9 thousand. This increase is entirely attributable to the expansion of business. The claims ratio for the segment improved from 49.7 percent in 2021 to 47.3 percent in the reporting year. This stemmed from the positive trend in claims in international business and the changed pattern of subsequent reporting by policyholders in Germany for claims incurred but not reported. The cost ratio improved on the back of the business growth, from 42.9 percent to 42.1 percent, in spite of investment in the workforce and processes and higher commissions in the inward reinsurance business. The underwriting profit for the whole of the legal insurance segment rose from €81,611.6 thousand to €124,675.4 thousand.

Legal insurance business shows continuous growth

(€ million)



Net gains on investments in the legal insurance segment tumbled from €72,011.5 thousand to €32,249.5 thousand due to high levels of interest-rate-induced realized and unrealized falls in value. As had been the case in 2021, ordinary income from institutional funds was reinvested in these funds, resulting in a planned low level of income. Other net income/expense amounted to a net expense of €50,571.9 thousand, which equated to an increase compared with the 2021 figure of €44,470.0 thousand, largely due to the inflation-induced rise in expenses for pension and other post-employment benefits for non-active pension beneficiaries and further capital expenditure on modernizing IT applications for the Group's insurance business.

The segment generated profit from ordinary activities of €106,353.0 thousand (2021: €109,153.2 thousand).

The Group's **international legal insurance business** recorded growth of 7.5 percent in the year under review. Gross premiums written amounted to €824,803.9 thousand compared with €767,237.5 thousand in 2021. These figures also included large parts of the sales revenue generated by the branches of ARAG Allgemeine Versicherungs-AG in the Republic of Ireland and the United Kingdom. The ARAG Group provides products and services for customers in Germany and a total of 18 other countries. Business grew by 6.8 percent in the Netherlands, 6.6 percent in Austria, and 4.5 percent in Spain. Only Italy saw a decline of 0.4 percent due to the loss of a primary insurance provider. In the United States, increases in premiums of 11.6 percent (measured in US dollars) were achieved, while in Scandinavia premiums dipped by 2.5 percent (measured in Norwegian kroner) due to the delayed conclusion of major policies.

In the reporting year, the expenses for claims incurred in the international legal insurance business went up from €289,946.2 thousand to €315,312.0 thousand. Once again, claims incurred were influenced by the positive claims trend, with profit on settlements arising in connection with the prior-year claims provision. The claims ratio rose only slightly to 38.6 percent (2021: 38.3 percent).

The combined ratio in the international legal insurance business improved from 84.5 percent to 82.9 percent.

The **legal insurance business in Germany** is benefiting from a sustained high level of consumer demand for products offering protection. New business is strong and there was only a very low level of lapses/cancellations in the portfolio. The Canadian reinsurance business acquired in the prior year is achieving steady growth with a 5.9 percent rise in premium income year on year. Based on an increased policy portfolio comprising an additional 59,649 contracts in the German direct business, premium growth stood at 5.6 percent. The inward reinsurance business of ARAG SE's headquarters in Germany recorded a rise of 9.3 percent. Including the inward reinsurance business, the total income from gross premiums written in German legal insurance amounted to €520,377.7 thousand (2021: €491,242.7 thousand).

The claims ratio in the German legal insurance business went down from 67.5 percent in 2021 to 61.2 percent in 2022. The decline is attributable in particular to a positive trend in claims incurred but not reported. There were also reductions in claim payments because major accumulation losses had largely been settled. In spite of the growth in business, claims incurred fell from €326,894.9 thousand in 2021 to €315,004.9 thousand in the reporting year.

The net cost ratio rose to 38.5 percent in 2022 (2021: 37.9 percent).

An amount of €3,159.2 thousand was added to the equalization provision for the inward reinsurance business (2021: €4,050.0 thousand).

Overall, the German legal insurance business ended the year with an underwriting loss close to zero at €793.9 thousand (2021: loss of €29,155.6 thousand).

Casualty and property insurance

Gross premium income

(€ million)	**2022**	**2021**
Casualty and property insurance	308	275

Premiums from the legal-insurance-related special service package business are allocated to the international casualty and property insurance segment. The premiums written for this business line increased to €82,421.1 thousand (2021: €56,390.6 thousand). The leap is due to the lifting of all restrictions imposed to limit the spread of COVID-19, which allowed the travel insurance business in Spain and Portugal to recover. On the back of higher premiums from residential buildings and home contents insurance, the German casualty and property insurance business recorded a rise in premium income of 3.5 percent (2021: 0.9 percent). Gross premiums written in this segment therefore went up by 12.2 percent year on year to €308,138.3 thousand (2021: €274,525.7 thousand).

Once again, the claims trend in Germany was influenced by storm events in 2022. In addition, the number of claims reported rose by around 20 percent across all insurance segments. This was because the level of claims had been much lower in 2021 – especially in the general accident insurance and general liability insurance segments – as a result of restrictions imposed on contact due to the pandemic. However, expenses for major claims for 2022 in the organization and sports business were much lower year on year. In travel insurance business, which is managed by ARAG SE's international branches in other countries, the number of claims climbed sharply as a result of the lifting of travel restrictions. Taking account of the reinsurers' share, claims incurred in the casualty and property segment as a whole amounted to €158,571.5 thousand and were thus once more above the prior-year level of €136,004.6 thousand. The claims ratio went up from 51.9 percent to 53.9 percent.

The revival of travel insurance business outside Germany led to a tangible increase in commission expenses. The growth of the domestic portfolio also pushed up commissions. The cost ratio nonetheless decreased from 43.6 percent in 2021 to 42.7 percent in 2022 due to the only moderate rise in administrative expenses and the strong growth in premiums. Underwriting profit before the equalization provision declined from €10,495.2 thousand in 2021 to €8,712.7 thousand in the reporting year. After an addition to the equalization provision amounting to €2,055.8 thousand (2021: reversal of €3,891.2 thousand), the underwriting profit amounted to €6,656.9 thousand, which was substantially lower than the equivalent prior-year figure (2021: €14,386.4 thousand). Net gains on investments fell sharply from €3,517.6 thousand in 2021 to €1,810.6 thousand in 2022. The decrease arose because of write-downs, combined with an unchanged level of reinvestment of ordinary income in institutional funds. After deducting the net expense under other net income/expense of €4,510.0 thousand (2021: €3,917.6 thousand), the casualty and property insurance segment delivered a profit from ordinary activities of €3,957.5 thousand (2021: €13,986.4 thousand).

Health insurance

Gross premium income

(€ million)	2022	2021
Health insurance	546	484

Gross premium income has swelled since the introduction of new full-coverage insurance products at the end of 2019. ARAG MedBest and ARAG MedExtra continue to be very popular in the market. In total, gross premium income rose by 12.7 percent in 2022 to €546,071.6 thousand. That makes health insurance the ARAG Group segment with the highest sales revenue in Germany. Growth is far higher than had been expected for the sector based on the forecast by the Association of German private healthcare insurers (PKV) for 2022 (5.0 percent). With a year-on-year increase of 18.5 percent, monthly premiums written in full-coverage insurance continued to rise substantially. Premium adjustments were only moderate, at less than 1 percent of monthly premiums written.

Amounts paid out for claims rose by 9.8 percent to €301,040.1 thousand as a result of the growth in business and the associated rise in the number of claims. The addition to the actuarial reserve (including the change in the lapse provision) amounted to €145,702.6 thousand, an increase compared with the equivalent figure of €123,213.9 thousand in 2021. The overall underwriting result in 2022, a profit of €26,428.1 thousand, was once again an improvement on the profit of €22,212.1 thousand in the prior year. Gains and losses on investments fell from a net gain of €51,327.7 thousand to a net gain of €48,011.7 thousand owing to much higher write-downs and large losses on disposals. Policyholders' share of profits came to 81.0 percent (2021: 80.9 percent).

After taking into account the sundry income and expense items and the addition to the provision for bonuses and rebates, profit before tax increased to €21,769.9 thousand (2021: €16,676.6 thousand). This rapidly growing segment thus once again made a substantial contribution to the consolidated profit before tax.

Services and asset management

Sales revenue

(€ million)	2022	2021
Service companies	42	25

This segment brings together Group companies that provide core services other than straightforward insurance business for the benefit of both Group companies and third parties. Their activities include IT services and the central emergency telephone service for ARAG customers. The segment also consists of the holding companies, including ARAG Holding SE. The insurance brokerage firm in the Group, Cura Versicherungsvermittlung GmbH, and the insurance agents for the UK, Australian, and Canadian reinsurance business are also assigned to this segment. The sales revenue generated by the non-insurance companies with third parties and the other segments in the Group rose from €72,415.1 thousand in 2021 to €88,149.6 thousand in 2022. The new insurance brokerage business in Canada was the main reason for the increase, with sales revenue of €15,299.6 thousand (2021: €564.0 thousand). After adjustment for the sales revenue generated in the service companies from business with Group companies in other Group segments, the remaining sales revenue generated from third parties came to €41,536.1 thousand compared with €25,136.8 thousand in 2021. Profit before tax amounted to €56,194.5 thousand (2021: €45,609.8 thousand). The improvement is chiefly due to higher profit distributions by Group companies to the intermediate holding companies ARAG International Holding GmbH and ARAG Scandinavia AS. These dividends are only shown here from a segment perspective; they are netted at Group level as they are contained in the international legal insurance segment where they originated.

Consolidation
Transactions between the Group's segments are offset in order to present the Group as one overall entity. Business between Group companies that are allocated to the same segment is consolidated when the segment reporting is produced so as to present each segment as one unit.

Transfers between segments are largely the result of the receipt of dividends in the multilayer Group structure. Intercompany charges for services between Group companies are also eliminated.

Non-financial reporting
(pursuant to CSR-RUG/section 315c in conjunction with sections 289c to 289e HGB)
ARAG Holding SE prepares a separate combined non-financial report (ARAG 2022 Sustainability Report[1]) outside the group management report in accordance with section 341j (4) in conjunction with section 315b (3) of the German Commercial Code (HGB) and section 315c in conjunction with sections 289c to 289e HGB together with the group management report. This sustainability report is publicly accessible at www.arag.com/en/press/publications/

[1] Not part of the management report.

III. Outlook, Opportunity and Risk Reports

Outlook and opportunity report

Since 2022, the global economy has been suffering under the combination of the fallout from the ongoing COVID-19 pandemic and the Russian Federation's war of aggression in Ukraine. This uncertain market environment is creating downside risk, fueling fears of a recession.

The economy will continue to be heavily influenced by the pandemic and by the related risks for society and business around the world. The danger of a renewed flare-up entailing a repeat of the restrictive public health measures, especially strict lockdowns, has not been fully eliminated. This can be seen from the dramatic developments – including the abrupt break with the zero-COVID strategy – in the People's Republic of China, on whose production facilities other countries around the world depend. The lengthy trade dispute between the People's Republic of China and the United States also adversely impacted the economy. Attempts to eliminate the bilateral trade deficit between these two countries by imposing tariffs have failed in the past.

The Russian Federation's war of aggression against Ukraine that was launched in February 2022 may also continue beyond the end of the forecast period, with the sanctions against Russia remaining in place. The supply of gas from Russia has been largely cut off, making European countries' gas supplies less secure. In addition, there is an increased danger that the volume stored for 2023 will be insufficient to meet demand. The sanctions imposed are seeing the price of gas, crude oil, and electricity soar, which – particularly in Europe – is driving the inflationary pressure around the world that set in during the pandemic. In its annual report, the German Council of Economic Experts predicts inflation of 7.4 percent for the eurozone in 2023 (2022: 8.5 percent) and inflation of 7.4 percent for Germany too (2022: 8.0 percent).

Governments worldwide are taking financial and fiscal policy measures in order to counteract the negative economic trends. The fast pace of inflation is putting central banks around the world under intense pressure to react, and experts are predicting that the US Fed will likely raise interest rates to more than 4 percent and the European Central Bank to up to 3.3 percent in 2023. This would make borrowing and spending/investment less attractive for businesses and consumers in the forecast period, and could lead to a further fall in German GDP.

The Russia-Ukraine war is also taking its toll on the euro. The fall in the value of the euro is making imports more expensive, notably energy and commodities, as these are generally settled in US dollars. The increased energy costs will likely hinder German and European companies' ability to compete on price in the global market in the short and medium term. This can increase the likelihood of rising unemployment and insolvencies.

Moreover, according to research by the German Economic Institute (IW), the number of people in employment in Germany may continue to fall in the short term. This would heighten the lack of skilled labor and make it even harder to fill vacant positions. Conversely, the employment market is having a stabilizing effect as companies in many areas will be endeavoring to retain existing personnel in view of the skills shortage.

In terms of the outlook for the forecast period, the uncertainties described are clearly predominant at present. Taking the prevailing risks into account, the latest annual report of the German Council of Economic Experts predicts that 2023 will see a downtrend, with a much lower rise in eurozone GDP of 0.3 percent (2022: 3.3 percent) and a fall in German GDP of 0.2 percent (2022: rise of 1.7 percent).

The COVID-19 pandemic will continue to have an impact on the German insurance industry in 2023. Depending on infection rates going forward, the insurance business could be affected by renewed restrictions imposed by the authorities on contact with others or lockdowns.

Furthermore, the German insurance market remains subject to fierce competition. In many branches of insurance, opportunities for greater premium growth and portfolio expansion are often only available if policyholders change provider. Inflation remaining at a high level may lead to an increase in lapse rates in some property insurance segments.

By contrast, digitalization still offers substantial opportunities. Digital technologies will mean that it is possible to set up much more efficient administrative channels and, above all, facilitate and develop customer contact, regardless of the time of day or where the parties are located. Fundamentally, the sustainable transformation of the economy and society will be one of the defining challenges for the insurance industry, along with digitalization. In terms of regulation, the insurance industry and the banking industry will play a pivotal role.

On top of demographic change in the years ahead, the danger of old-age poverty poses a challenge for the insurance industry. Old-age poverty could lead to a reduction in consumer purchasing power.

Climate change continues to present risks for non-life insurers. The last few years have clearly demonstrated that storms and hurricanes are not the only natural disasters that can hit the whole of a country; natural disaster loss events can also be triggered by hail, heat waves, and rain. Claims incurred in the property insurance segments may rise in the short term as a result of inflation.

All in all, premium income in the insurance industry is expected to continue to grow in these difficult economic times. In its latest projection for 2023, the GDV is forecasting premium growth in the German market of up to 3.0 percent in 2023 (2022: decrease of 0.3 percent). The forecast growth for casualty and property insurance is 6.1 percent (2022: 4.0 percent). In the private health insurance business, a premium increase of 3.5 percent is anticipated (2022: 3.9 percent).

Against this economic backdrop, the companies in the ARAG Group plan to keep pursuing their growth strategy in 2023, albeit potentially at a reduced pace. The mounting economic uncertainty, the associated risk of unemployment, and the drastic shortage of affordable housing have made consumers more receptive to the idea of legal insurance, which will likely intensify further over time. The economic climate is thus driving a desire among customers to protect themselves in legal transactions and to insure against lost rental income. Given that many Europeans are traveling more again, which is partly a reflection of pent-up demand caused by COVID-19 restrictions in the past, sales revenue from travel insurance policies will likely increase. From the spring, ARAG SE will operate a further branch in the United Kingdom, which will offer both direct legal insurance business and inward reinsurance business (conventional insurance business and after-the-event [ATE] business). This year, further premium growth will be generated by focusing on ATE business in Canada and the United Kingdom.

The Group will continue to grow regardless of economic conditions. The last two years have shown that pandemic-related crises, shortcomings in the healthcare system, uncertainty caused by war, and inflation can reasonably be expected to lead to additional demand for insurance. This demand could potentially be even bigger if a further rise in unemployment looks likely in the short to medium term. The Group is forecasting a rise of around 5 percent in gross premiums written, which are likely to pass the €2.3 billion mark in 2023. The markets in the United States and Scandinavia will drive the high level of growth. In Germany, the high level of growth is expected to continue, particularly in health insurance business.

Inflationary effects will adversely affect claims incurred, particularly in casualty and property insurance. In addition, the Group is anticipating an increase in employment-related legal insurance cases in the medium term (from the end of 2023). However, the claims ratio will rise only marginally compared with the 2022 level thanks to the forecast growth.

In 2023, acquisition costs and administrative expenses will rise as a result of further growth and investment to support that growth as well as due to inflationary trends, particularly in expenses for pension and other post-employment benefits. This will lead to an increase in the cost ratio.

The Group will be unable to repeat its very good combined ratio (CR) for 2022 of 86.7 percent, but the ratio is not anticipated to exceed 92 percent in 2023. In the medium to long term, the CR is expected to decrease due to efficiency improvements stemming from process automation measures.

The underwriting result for 2023 is expected to be considerably lower than the figure achieved in 2022 but will still be a comfortable profit.

In terms of gains and losses on investments, a further rise in key interest rates is expected owing to the persistently high level of inflation in Germany and the rest of Europe. Unlike in 2022, this will not give rise to a high level of write-downs as the bulk of adjustments have already been made. However, uncertainty persists regarding the stock markets. Nonetheless, opportunities resulting from new investments at higher interest rates should mitigate these risks, at least partly. Overall, the forecast is for a much better level of gains and losses on investments in 2023 than in 2022. However, this presupposes that the war on the eastern European borders does not escalate into a global conflict. In light of the developments in the war in Ukraine, this cannot by any means be ruled out.

Due to inflation and the surging expenses for pension and other post-employment benefits for non-active persons, the net expense reported under other net income/expense could be higher in 2023 than in 2022.

Based on the above, profit before tax in 2023 is expected to be roughly on a par with 2022.

Opportunity report

The ARAG Group is highly internationalized thanks to its network of branches and equity investments. The proportion of premiums generated in the international segments (see the segment reporting in the notes to the consolidated financial statements) currently stands at 41.3 percent. The Group will continue to diversify its business across markets on the back of steady expansion in existing markets and the acquisition of business in new countries. This approach opens up a wide range of opportunities that would otherwise not be available in a single isolated market.

ARAG's excellent international diversification makes it more independent of the trends in individual national markets. This even applies to the German legal insurance market, despite the successful growth achieved by ARAG in the last seven years. Germany is ARAG's home market and thus remains extremely important to the Group. Strong growth in this market is a high priority and serves as a significant point of reference for the international business. The strategy of the ARAG Group for the whole of the legal insurance business is to continue the international diversification of this segment.

The international structure of the ARAG Group is the logical business consequence of its former dependence on the German market. It makes a virtue of the highly varied economic trends within Europe and around the globe for the benefit of its business. The legal insurance markets outside Germany offer significant growth potential. ARAG is focusing considerable effort on exploiting this potential with a view to achieving further growth in the Group. In this regard, it attaches great importance to taking into account the particular features of the market in each country.

Responsibilities are distributed throughout the ARAG Group so that the position enjoyed by the ARAG brand in the German market will be further consolidated and improved by the strengthening of all the insurance segments. This two-dimensional – i.e. national and international – diversification strategy in the Group is also enabling ARAG to move away from the original tightly focused positioning as a niche provider in Germany. A domestic specialist insurer concentrating solely on one line of business is considerably more susceptible to risk. The strategic approach at ARAG is therefore one of active risk reduction and is based on spreading risk more evenly across all markets and segments. The Group also benefits from its clear focus on legal insurance, property insurance, and health insurance business.

Being a family enterprise, ARAG's plans and actions are consciously focused on the long term. In its ARAG 5→30 program, the Group has defined five key areas of action. They stipulate the targets and aims that are due to be achieved by 2030. A detailed description of ARAG 5→30 is provided in the section 'The ARAG Group at a Glance'.

Risk report

Risk management system

Risk strategy The objective of pursuing a conservative risk and solvency policy, as specified in the business strategy, provides the framework for the structure of the risk strategy. The risk strategy sets out the Group's risk profile and the structure of the individual risk exposures associated with the strategic business objectives. It also describes the tools for ensuring compliance with the prescribed risk-bearing capacity based on the risk appetite specified by the Management Board. Risks are therefore managed in the round, ensuring at all times that the overall risk profile is consistent with the risk strategy. Risks are quantified and risk-bearing capacity is measured in line with the statutory requirements of Solvency II.

Limit system The maximum permitted solvency capital requirement for the Group is determined on the basis of the risk appetite and the eligible own funds. Using this maximum requirement, the Management Board sets an overall limit that is then apportioned to the most important risks and sub-risks. The limit system is reviewed annually. 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 or if risks need to be reduced. A traffic light system is used, for both risk-bearing capacity and the limits at risk category level. The system enables ARAG to monitor changes in the utilization of limits and initiate corrective measures if necessary.

ORSA The own risk and solvency assessment (ORSA) process verifies that the changes in overall risk over the next three financial years will remain manageable, thereby ensuring that the ARAG Group continues to meet the objective of the conservative risk and solvency policy over the long term. To this end, the ORSA process determines the ARAG Group's overall solvency requirement and own funds for each planning year, providing an indication of the future coverage requirement. The Management Board is responsible for the annual ORSA process and takes a lead role in ensuring it is carried out.

Independent risk control function The independent risk control function is responsible for implementing the risk management system. This function is carried out by the Group Risk Management Central Department of ARAG SE. Group Risk Management is separate from the operational departments with profit-and-loss responsibility up to the level of the Management Board of ARAG SE as the actual Group management company. The Chief Risk Officer is a member of the Management Board and bears responsibility for the implementation of the risk management system in all Group companies. The system is largely implemented in the form of a risk governance model, through which rules for implementing the risk-relevant processes are defined in groupwide policies and guidelines. By reporting regularly to the Management Board, the independent risk control function also ensures comprehensive transparency with regard to the risk position and any changes to the risk position.

Operating decisions about whether or not to pursue opportunities and/or take on risk are made in the units with relevant responsibility.

Risk management process The risk management process comprises risk identification, risk analysis, risk assessment, risk management, risk monitoring, and risk reporting. 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 submitted to the Management Board for decision using appropriate cross-functional review processes, such as the new-product process.

To ensure risks are assessed appropriately, the influencing factors determining the relevant exposure on the Solvency II balance sheet are analyzed. These influencing factors are validated to check that they are appropriate for the measurement of the risk.

All identified risks are regularly measured. The key element in this process is the solvency capital requirement that is calculated for all downside risk. The purpose is to ensure that unexpected losses are covered. A partial internal model is used to quantify the solvency capital requirement. The model shows the loss occurring within a specific holding period (one year) and with a specified level of probability (99.5 percent). The methodology used for the internally modelled risks is regularly reviewed using backtesting and validation tests. Stress tests are also continuously carried out in respect of the risk exposures. An assessment is additionally carried out in the ORSA process.

Operational management of risk is 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.

A key element of risk monitoring is examining changes in the risk profile over time, focusing on risk-bearing capacity and utilization of the limits. Risk monitoring takes into account the regulatory and internal requirements regarding minimum cover. The results from the risk monitoring process and the associated recommendations for action are reported to the Management Board promptly and on a continual basis. Unexpected or extreme events can also affect the Group's risk profile. Ad hoc reports are submitted if this is the case.

Internal control system The internal control system (ICS) 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 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 who are responsible for identifying and evaluating the risks in their area as part of the risk control process.
- Second line of defense: The monitoring of the business and central units is carried out by various interdisciplinary functions (Group Controlling, Legal/Compliance, Group Risk Management, and the Actuarial function) that specify standards for the design and monitoring of controls and the handling of risk.
- Third line of defense: Under its remit as the internal auditor for the Group companies, the Group Audit Central Department conducts internal audits of the functions in the first and second lines of defense within the ARAG Group. The Group Audit Central Department is also the internal auditor for the Group companies that have contractually appointed it to this role. Following the orders issued by the Management Board, Group Audit examines the operational and organizational structure as well as the ICS for all operating and business processes from a risk perspective.

Risk categories

Underwriting risk and market risk are of considerable significance for the Group, whereas counterparty default risk, liquidity risk, and operational risk are of lesser importance.

Underwriting risk in indemnity, liability, and accident insurance and in legal insurance Underwriting risk is the risk of a loss arising from inadequate pricing or inadequate assumptions when determining underwriting liabilities. These losses result from various risk types, including:

- Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the duration of claims settlement and the amount involved in relation to the premiums generated in an insurance period.
- Catastrophe and accumulation risk: significant uncertainties regarding pricing and assumptions in respect of the recognition of technical provisions for extreme or exceptional events.
- Lapse risk: adverse changes in the level or volatility of the rates of insurance policy lapses and terminations.

These risks are measured using an internal model. A simulation is used to forecast a level of loss that would only be expected every 200 years. A 1 in 200 year event indicates the one-year loss anticipated with a probability of 99.5 percent. Future claims and/or required additions to reserves are calculated for premium and reserve risk on the basis of historical claims. Losses are simulated in the same way for catastrophe and accumulation risk; such losses may arise from natural disasters, large claims caused by people, or accumulation losses in the legal insurance business. Lapse risk is calculated on the basis of past lapse rates. The actual underwriting risk arises from the aggregation of the individual risks, taking diversification effects into account.

Measures implemented to restrict the risks include risk limits and various reinsurance programs in the individual Group companies.

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

Changes in claims ratio

Financial year		Claims ratio, gross, total	Profit/loss on settlements
	FY ratio	*Financial statements*	*% of initial reserve*
2022	54.2	48.9	5.2
2021	56.1	51.8	4.0
2020	56.4	51.4	4.6
2019	56.2	52.4	3.6
2018	55.1	52.1	2.7
2017	56.0	52.4	3.1
2016	55.9	50.3	4.7
2015	58.0	51.6	6.1
2014	60.2	55.4	3.6
2013	61.3	53.3	5.9

Underwriting risk in health insurance Underwriting risk is the risk of a loss or adverse change in the value of insurance liabilities arising from inadequate pricing and inadequate assumptions when determining underwriting liabilities. These losses result from the following three risk components and their associated sub-risks:

1. Risk from health insurance policies that are operated on an actuarial basis comparable to that of indemnity insurance:
   - Premium/reserve risk: fluctuations in the timing, frequency, and severity of insured events and in the occurrence of claims settlement and the amount involved in relation to the premiums generated in an insurance period.
   - Lapse risk (operation on a basis similar to non-life insurance): changes in the level or volatility of the rates of insurance policy lapses, terminations, renewals, and surrenders.

2. Risk from health insurance policies that are operated on an actuarial basis comparable to that of life insurance:
   - Mortality risk: changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
   - Longevity risk: changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.
   - Disability-morbidity risk: changes in the level, trend, or volatility of disability, sickness, and morbidity rates.
   - Expense risk: changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts.
   - Lapse risk (operation on a basis similar to life insurance): changes in the level or volatility of the rates of insurance policy lapses, terminations, renewals, and surrenders.
3. Risk from health insurance policies under which claims are made as a result of catastrophes:
   - Mass accident risk: the risk of having many people in one location at the same time, causing mass accidental deaths, disabilities, and injuries with a high impact on the cost of medical treatment sought.
   - Accident concentration risk: the risk of having concentrated exposures due to densely populated locations, causing concentrations of accidental deaths, disabilities, and injuries in the event of the mass accident scenario described above.
   - Pandemic risk: the risk of having a large number of non-lethal disability and income protection claims and where victims are unlikely to recover as a result of a pandemic.

These risks are measured with the standard formula. Depending on the risk involved, prescribed factors or stress scenarios are used in order to determine their impact on changes in the fair value of the liabilities. One of the methods used by the Company to measure health underwriting liabilities is the inflation-neutral measurement method. The sub-risks determined in this way are aggregated into the three risk components for health insurance. The actual underwriting risk arises from the further aggregation of these three components, taking diversification effects into account.

The measures implemented to limit the risk include reinsurance and the use of the available opportunities to structure policyholder profit participation and adjust premiums to the extent permitted by law.

Market risk Market risk is the risk of loss due to 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. For example, an assumed increase or decrease of 1 percentage point in the general level of interest rates would decrease or increase the fair value of the fixed-income securities by approximately € 218.4 million.
- Equity risk: changes in the level or volatility of the market prices of equities. For example, an assumed fall in equities markets of 20 percent would cause a loss in fair value of € 95.4 million.
- Property risk: changes in the level or volatility of the market prices of real estate.
- Currency risk: changes in the level or volatility of exchange rates.
- Spread risk: changes in the level or volatility of credit spreads over the risk-free interest-rate term structure.
- Migration/default risk: rating changes or changes in the extent of projected defaults. The breakdown of interest-bearing investments by rating is as follows:

Fixed-income securities by rating class (direct investments and funds)

(Proportion [%] by fair value)	
AAA	26.3
AA	18.7
A	25.9
BBB	23.9
BB	2.9
B	1.2
CCC	0.0
CC	0.0
C	0.0
D	0.0
Not rated	0.9

The breakdown of fixed-income securities is as follows (fair values): Of the fixed-income securities – including securities held indirectly through institutional funds – approximately 31.4 percent are accounted for by financial services entities, 34.9 percent by public-sector bonds, and 33.8 percent by corporate bonds.

These risks are measured with the standard formula. New fair values of investments and liabilities are determined in the stress scenarios for interest rates, share prices, real estate prices, credit spreads, credit ratings/defaults, and exchange rates. The actual market risk arises from the aggregation of the sub-risks and concentration risk, taking diversification effects into account.

Measures implemented to restrict the risk include risk limits and limits in the investment guidelines for operating investments.

Counterparty default risk Counterparty default risk in the insurance business largely arises in connection with receivables from reinsurers, policyholders/insurance brokers, and credit institutions. It is the downside risk arising from the unexpected default or deterioration in the credit standing of counterparties and debtors during the next twelve months.

Counterparty default risk is measured with the standard formula. The risk of default on receivables from reinsurers and credit institutions is measured on the basis of the information available and proportionality considerations. The counterparties' individual credit ratings are explicitly used. The risk of default on receivables from policyholders and insurance brokers is measured. The amount of the receivables due from reinsurers, broken down by external ratings, can be found in the notes to the consolidated financial statements.

The measures implemented to limit risk include requirements in respect of the selected reinsurers (such as a minimum rating) and an automated procedure for issuing reminders to recover receivables due from policyholders.

As of the balance sheet date, receivables from policyholders more than 90 days past due amounted to €20,301.3 thousand (December 31, 2021: €19,090.0 thousand). The average default rate for these receivables over the last three years as of December 31, 2022 was 19.1 percent (December 31, 2021: 20.7 percent).

Liquidity risk Liquidity risk is the risk that insurance companies are 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).

Liquidity risk is measured separately for each Group company by calculating the monthly excess liquidity cover or liquidity shortfall on a rolling basis. Liquidity planning is updated constantly so that ARAG has early warning of whether it will require liquidity in the coming months. Asset/liability management (ALM) is used to determine the liquidity requirement over the medium to long term, likewise at Group company level.

Risk limitation measures include ALM and rolling liquidity planning.

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

The Group uses the standard formula to determine the associated solvency capital requirement. Measurement for operational purposes is carried out using expert assessments on the basis of two dimensions: probability of occurrence and impact. The probability of occurrence describes the likelihood that an operational risk will materialize within a defined period. The second dimension describes the potential impact of the occurrence of an operational risk and is measured in quantitative or qualitative terms. The gross and net values are recorded for each dimension. 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. Risk limitation measures are specified by the managers concerned on a case-by-case basis. When identifying and evaluating operational risks, the risk managers consider known loss events that are recorded in a loss database. This contains data on all loss events that have occurred and their actual impact. Consequently, the plausibility of subjective estimates can be tested. Material operational risks are also included in the strategic positioning risk analysis in the ORSA process.

There are contingency plans in place for risks that could have an impact on the entire Group. For example, a business continuity management system has been set up so that special countermeasures can be taken in the event of a cyberattack. This minimizes the impact of an attack. The implementation of each measure used is continuously monitored to ensure the measures taken to reduce the risk remain effective on an ongoing basis.

Overall risk position

The regulatory minimum capital requirement in accordance with VAG provisions is met in full. Moreover, the eligible own funds are higher than the solvency capital requirements calculated in accordance with VAG.

Over a planning period of three or four years, the risks were assessed for the individual companies using various scenarios (rising costs and claims, slump in new business, inflation with a rise in interest rates, impact of climate change on investments). The results indicate that the solvency capital requirement is expected to be sufficiently covered for the next few years at Group level.

In addition to the risks described above, disruptions to the energy supply, an escalation of the war in Ukraine, and/or aspects of digitalization – i.e. cyber risk – could have a negative impact on financial performance.

Besides the repercussions for the Group's business operations, the impact of a sustained bottleneck in the supply of energy through to an energy shortage would primarily affect the underwriting business and investments. In underwriting business, an increase in energy costs reduces the purchasing power of private customers, which inhibits new business and can potentially give rise to an increase in lapse rates. Inadequate heating or electricity supply could also lead to property damage, which increases the risk of business interruptions. Depending on the nature of the interruption, regional accumulation events can occur. Targeted measures to avoid lapses, boost new business and the sales organizations, and provide selected services mitigate these effects. In investment business, the market value of the equities and corporate bonds of companies that do not offer essential consumer goods or which are energy intensive could fall. However, the impact of the energy crisis on the investment portfolio is examined on an ongoing basis. Susceptible companies and sectors are regularly discussed.

For the Company, risks stemming from an escalation of the war in Ukraine are directly manifesting in losses in the capital markets. Risks are effectively monitored and managed on an ongoing basis by maintaining the strategic asset allocation and implementing the specified risk monitoring process. In underwriting business, general economic impacts such as raw materials shortages and inflation would push up claim amounts. Furthermore, a reduction in the purchasing power of (potential) customers would be expected, which would in turn affect new business and the lapse rate. The aforementioned measures for avoiding lapses and boosting new business come into play here. Cyberattacks and an outage of critical infrastructure heighten operational risk. However, these impacts are limited thanks to increased IT security, contingency plans, and insurance policies.

Trends are observable – particularly online – whereby service providers or attorneys proactively try to sign up additional clients through targeted campaigns on certain legal matters. This may result in legal insurance providers facing higher costs for legal cases. ARAG offers professional guidance by steering its customers through the legal issues and is stepping up its monitoring of claims so that it can take countermeasures promptly.

The overall risk position does not currently point to any trends that could jeopardize the continued existence of the Group as a going concern or cause a significant negative impact on net assets, financial position, or results of operations.

Consolidated Financial Statements

Consolidated Balance Sheet as of December 31, 2022

Assets

(€)
A. Intangible assets
I. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets
II. Goodwill
B. Investments
I. Land, land rights and buildings, including buildings on third-party land
II. Investments in affiliated companies and equity investments
1. Shares in affiliated companies
2. Investments in associates
3. Miscellaneous equity investments
4. Lending to long-term investees and investors
III. Miscellaneous investments
1. Equities, investment fund shares/units, and other variable-yield securities
2. Bearer bonds and other fixed-income securities
3. Loans secured by mortgages or land charges and fixed-income receivables
4. Miscellaneous lending
a) Registered bonds
b) Promissory notes and loans
c) Sundry lending
5. Bank deposits
6. Other investments
IV. Deposits with ceding insurers
C. Receivables
I. Receivables from direct insurance business from
1. policyholders
2. insurance brokers of which from affiliated companies: € 0.00 (Dec. 31, 2021: € 48.53)
II. Receivables from reinsurance business of which from other long-term investees and investors: € 51,790.97 (Dec. 31, 2021: € 45,564.35)
III. Miscellaneous receivables of which from affiliated companies: € 1,232,534.99 (Dec. 31, 2021: € 596,129.50) of which from other long-term investees and investors: € 156,257.83 (Dec. 31, 2021: € 150,840.87)
D. Miscellaneous assets
I. Property and equipment and inventories
II. Current bank balances, checks and cash on hand
III. Other assets
E. Prepaid expenses and accrued income
I. Accrued interest and rent
II. Miscellaneous prepaid expenses and accrued income
F. Deferred tax assets
G. Excess of plan assets over pension liabilities
Total assets

Note				Dec. 31, 2022	Dec. 31, 2021
3 p. 79			10,616,909.73		9,314,536.10
2 p. 79			6,099,140.36		7,327,901.77
				16,716,050.09	**16,642,437.87**
33 p. 88					
4 p. 79			183,450,124.78		187,072,405.60
5 p. 80					
		1,492,284.38			1,492,283.38
31 p. 87		15,701,951.16			12,985,923.00
		4,471,193.88			4,463,678.88
		3,750,000.00			3,750,000.00
			25,415,429.42		22,691,885.26
6 p. 80		1,839,896,466.07			1,828,998,899.25
7 p. 81		2,371,675,115.21			2,087,329,964.63
8 p. 81		1.00			1.00
9 p. 81	568,029,876.30				574,029,876.30
10 p. 81	454,921,966.56				486,165,664.39
10 p. 81	118,144.15				76,260.86
		1,023,069,987.01			1,060,271,801.55
11 p. 81		84,254,735.88			46,868,488.83
		0.00			16,000.00
			5,318,896,305.17		5,023,485,155.26
			65,201,045.19		68,560,809.48
				5,592,962,904.56	**5,301,810,255.60**
12 p. 81					
		64,630,345.29			55,557,034.05
		45,136,502.88			42,780,664.52
			109,766,848.17		98,337,698.57
			63,880,491.32		69,273,821.85
			22,485,141.70		18,909,440.01
				196,132,481.19	**186,520,960.43**
13 p. 82 14 p. 82			20,213,583.73		17,932,172.18
15 p. 82			190,190,958.00		188,805,555.46
15 p. 82			17,620,547.97		26,076,372.67
				228,025,089.70	**232,814,100.31**
16 p. 82					
			30,462,415.49		30,140,397.97
			14,520,442.76		14,568,881.06
				44,982,858.25	**44,709,279.03**
17 p. 82 34 p. 91				**797,740.21**	**0.00**
18 p. 82				**345,314.46**	**294,968.85**
				6,079,962,438.46	**5,782,792,002.09**

Consolidated Balance Sheet as of December 31, 2022

Equity and liabilities

(€)
A. Equity
I. Subscribed capital
II. Revenue reserves
1. Statutory reserves
2. Other revenue reserves
3. Currency translation differences
4. Difference pursuant to section 309 (1) HGB
III. Net income attributable to the Group
1. Consolidated net income of the controlling interests
IV. Non-controlling interests
1. in the capital
2. in the net income
B. Subordinated liabilities
C. Technical provisions
I. Unearned premiums
1. Gross amount
2. less: portion for outward reinsurance business
II. Actuarial reserve
1. Gross amount
2. less: portion for outward reinsurance business
III. Provision for outstanding claims
1. Gross amount
2. less: portion for outward reinsurance business
IV. Provision for performance-based and non-performance-based bonuses and rebates
V. Equalization provision and similar provisions
VI. Miscellaneous technical provisions
1. Gross amount
2. less: portion for outward reinsurance business
Carried forward:

Note			Dec. 31, 2022	Dec. 31, 2021
19 p. 82 38 p. 98				
		200,000,000.00		200,000,000.00
	16,923,310.00			16,005,026.00
	405,452,303.94			379,290,840.34
	10,216,153.10			7,693,302.60
1 p. 77	−35,999,890.82			−35,999,890.82
		396,591,876.22		366,989,278.12
		42,798,383.74		37,079,747.60
	9,238,634.66			9,127,728.25
	737,217.89			772,713.74
		9,975,852.55		9,900,441.99
			649,366,112.51	**613,969,467.71**
20 p. 83			**30,000,000.00**	**30,000,000.00**
21 p. 83				
	292,628,988.87			278,797,122.89
	−99,444.92			−74,963.33
		292,529,543.95		278,722,159.56
22 p. 83				
	2,350,397,881.57			2,205,066,757.45
	0.00			0.00
		2,350,397,881.57		2,205,066,757.45
23 p. 83				
	1,793,836,552.00			1,741,449,838.06
	−36,631,187.19			−40,110,621.30
		1,757,205,364.81		1,701,339,216.76
		272,221,421.84		264,719,723.63
24 p. 84		148,798,657.01		129,202,594.78
25 p. 85				
	5,776,255.10			5,919,748.93
	0.00			0.00
		5,776,255.10		5,919,748.93
			4,826,929,124.28	**4,584,970,201.11**
			5,506,295,236.79	**5,228,939,668.82**

Consolidated Balance Sheet as of December 31, 2022

Equity and liabilities

(€)
Brought forward:
D. Other provisions
I. Provisions for pensions and other post-employment benefits
II. Provisions for taxes
III. Miscellaneous provisions
E. Deposits received from reinsurers
F. Other liabilities
I. Liabilities from direct insurance business to
1. policyholders
2. insurance brokers
of which to affiliated companies: € 14.56 (Dec. 31, 2021: € 227.48)
II. Liabilities from reinsurance business
III. Miscellaneous liabilities of which tax liabilities: € 28,138,653.85 (Dec. 31, 2021: € 24,120,593.14) of which social security liabilities: € 2,695,235.49 (Dec. 31, 2021: € 1,763,463.22) of which to affiliated companies: € 316,282.25 (Dec. 31, 2021: € 301,539.76)
G. Deferred income and accrued expenses
H. Deferred tax liabilities
Total equity and liabilities

Note			Dec. 31, 2022	Dec. 31, 2021
			5,506,295,236.79	**5,228,939,668.82**
26 p. 85		294,247,968.01		277,927,107.04
		20,376,189.10		26,793,373.36
27 p. 86		111,312,628.50		113,322,546.93
			425,936,785.61	**418,043,027.33**
28 p. 87			**3,941.11**	**11,062.39**
29 p. 87				
	28,766,434.58			31,588,418.43
	47,699,368.59			41,963,931.58
		76,465,803.17		73,552,350.01
29 p. 87		1,818,360.97		1,160,526.83
		69,067,747.83		59,956,859.31
			147,351,911.97	**134,669,736.15**
30 p. 87			**374,562.98**	**566,930.57**
			0.00	**561,576.83**
			6,079,962,438.46	**5,782,792,002.09**

Consolidated Income Statement for the Period from January 1 to December 31, 2022

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

	Note			2022	2021
	32 p. 87	1,653,319,987.96			1,533,005,878.35
		– 12,786,138.24			– 12,068,732.64
			1,640,533,849.72		1,520,937,145.71
		– 14,828,405.62			– 17,629,544.47
		24,481.59			51,348.76
			– 14,803,924.03		– 17,578,195.71
				1,625,729,925.69	**1,503,358,950.00**
				133,731.00	**127,811.00**
				1,913,253.78	**1,930,981.84**
		750,585,105.04			695,778,104.01
		– 13,669,338.79			– 18,961,506.67
			736,915,766.25		676,816,597.34
		48,493,212.51			82,324,139.90
		3,479,434.11			– 6,295,081.98
			51,972,646.62		76,029,057.92
				788,888,412.87	**752,845,655.26**
			0.00		0.00
			– 154,668.76		90,228.60
				– 154,668.76	**90,228.60**
			687,278,540.47		648,231,836.67
			– 1,455,168.93		– 911,082.43
				685,823,371.54	**647,320,754.24**
				1,982,118.94	**1,863,685.39**
				150,928,338.36	**103,477,876.55**
				– 19,596,062.23	**– 7,479,880.76**
				131,332,276.13	**95,997,995.79**

Consolidated Income Statement for the Period from January 1 to December 31, 2022

Line item
(€)
II. Underwriting account for health insurance
1. Premiums earned net of reinsurance
a) Gross premiums written
b) Reinsurance premiums ceded
c) Change in gross unearned premiums
d) Change in reinsurers' share of gross unearned premiums
2. Premiums from the gross provision for bonuses and rebates
3. Income from investments
a) Income from equity investments
b) Income from other investments of which from affiliated companies: €6,628.44 (2021: €13,256.88)
aa) Income from land, land rights and buildings, including buildings on third-party land
bb) Income from other investments
c) Income from reversals of write-downs
d) Gains on the disposal of investments
4. Miscellaneous underwriting income net of reinsurance
5. Claims incurred net of reinsurance
a) Payments for claims
aa) Gross amount
bb) Reinsurers' share
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' share
6. Change in sundry net technical provisions
a) Net actuarial reserve
aa) Gross amount
bb) Reinsurers' share
b) Miscellaneous net technical provisions
7. Expenses for performance-based and non-performance-based bonuses and rebates net of reinsurance
8. Insurance business operating expenses net of reinsurance
a) Front-end fees
b) Administrative expenses
c) less: commissions received and profit sharing received from outward reinsurance business
9. Expenses for investments
a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments
b) Depreciation, amortization and write-downs of investments of which write-downs: €15,685,866.57 (2021: €9,159,794.31)
c) Losses on the disposal of investments
10. Miscellaneous underwriting expenses net of reinsurance
11. Health insurance underwriting result net of reinsurance

	Note			2022	2021
	32 p. 87	546,071,616.61			484,428,940.11
		−348,512.35			−275,276.45
			545,723,104.26		484,153,663.66
		−1,053,928.95			−835,137.67
		0.00			0.00
			−1,053,928.95		−835,137.67
				544,669,175.31	**483,318,525.99**
				4,510,948.80	**5,459,351.15**
			0.00		0.00
		5,410,328.10			5,641,337.39
		51,333,851.56			53,483,606.98
			56,744,179.66		59,124,944.37
			2,035,322.00		6,714,166.63
			23,315,856.93		476,659.20
				82,095,358.59	**66,315,770.20**
				17,816,612.57	**19,381,554.24**
		293,982,339.67			262,967,092.82
		0.00			−87,572.26
			293,982,339.67		262,879,520.56
		7,057,774.82			11,283,212.73
		0.00			0.00
			7,057,774.82		11,283,212.73
				301,040,114.49	**274,162,733.29**
		−145,332,946.12			−122,819,152.24
		0.00			0.00
			−145,332,946.12		−122,819,152.24
			−369,693.00		−394,789.00
				−145,702,639.12	**−123,213,941.24**
	37 p. 94			**34,721,630.20**	**38,683,793.73**
		93,445,488.52			85,967,507.70
		12,164,074.64			11,523,099.54
			105,609,563.16		97,490,607.24
			−48,932.22		−115,790.62
				105,560,630.94	**97,374,816.62**
			4,409,124.15		4,661,601.59
			16,900,231.57		10,317,863.38
			12,774,307.23		8,560.00
				34,083,662.95	**14,988,024.97**
				1,555,340.69	**3,839,759.64**
				26,428,076.88	**22,212,132.09**

Consolidated Income Statement for the Period from January 1 to December 31, 2022

Line item
(€)
III. Non-underwriting account
1. Underwriting result net of reinsurance
a) in casualty and property insurance
b) in health insurance
2. Income from investments, unless listed under II. 3.
a) Income from equity investments of which from affiliated companies: € 429,000.00 (2021: € 344,000.00)
b) Income from associates
c) Income from other investments of which from affiliated companies: € 72,312.48 (2021: € 65,400.00)
aa) Income from land, land rights and buildings, including buildings on third-party land
bb) Income from other investments
d) Income from reversals of write-downs
e) Gains on the disposal of investments
3. Expenses for investments, unless listed under II. 9.
a) Expenses for the management of investments, interest expense and similar charges and other expenses for investments
b) Depreciation, amortization and write-downs of investments of which write-downs: € 39,970,778.28 (2021: € 16,995,110.60)
c) Losses on the disposal of investments
d) Transfer of losses from associates accounted for using the equity method
4. Technical interest income
5. Market fees for goods and services provided by non-insurance companies
6. Cost of goods and services provided by non-insurance companies to generate market fees
7. Other income
8. Other expenses of which write-downs on goodwill arising on consolidation: € 1,132,798.20 (2021: € 4,825,348.16)
9. Non-underwriting result
10. Profit/loss from ordinary activities
11. Extraordinary income
12. Extraordinary expenses
13. Profit before tax
14. Income taxes of which resulting from the change in recognized deferred taxes: tax income of € 1,359,317.04 (2021: tax income of € 591,622.53)
15. Miscellaneous taxes
16. Net income for the year
17. of which non-controlling interests

Note			2022	2021
		131,332,276.13		95,997,995.79
		26,428,076.88		22,212,132.09
			157,760,353.01	**118,210,127.88**
	1,344,550.71			1,248,718.27
	7,724,340.81			5,499,049.59
	17,174,019.82			17,181,614.36
	34,982,181.13			27,905,427.45
	52,156,200.95			45,087,041.81
	421,143.46			8,546,067.50
	6,948,333.99			4,693,073.10
		68,594,569.92		65,073,950.27
	13,385,206.30			13,863,912.98
	44,452,120.14			21,469,457.17
	6,624,620.06			629,850.60
	0.00			0.00
		64,461,946.50		35,963,220.75
			4,132,623.42	**29,110,729.52**
			−133,731.00	**−127,811.00**
			41,536,063.11	**25,136,770.16**
			41,115,627.88	**24,282,118.11**
		32,432,353.40		29,795,043.57
		97,324,502.11		91,115,230.63
			−64,892,148.71	**−61,320,187.06**
			−60,472,821.06	**−31,482,616.49**
			97,287,531.95	**86,727,511.39**
35 p. 92		0.00		0.00
35 p. 92		0.00		0.00
			0.00	**0.00**
			97,287,531.95	**86,727,511.39**
36 p. 92		49,918,644.21		48,071,682.67
		3,833,286.11		803,367.38
			53,751,930.32	**48,875,050.05**
			43,535,601.63	**37,852,461.34**
			−737,217.89	**−772,713.74**

Notes to the Consolidated Financial Statements

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

Legal basis of preparation

ARAG Holding SE is entered in the commercial register of the Düsseldorf local court under the number HRB 66673. Its registered office is ARAG Platz 1, 40472 Düsseldorf, Germany. The consolidated financial statements of ARAG Holding SE and the group management report are prepared in accordance with the requirements of the German Commercial Code (HGB) for large corporations and with the supplementary provisions for insurance companies dated November 8, 1994 (Regulation on the Accounting of Insurance Undertakings [RechVersV]), in particular in compliance with the requirements on consolidated accounting pursuant to sections 341i and 341j HGB and sections 58 – 60 RechVersV and with the German accounting standards (GAS). The latter are applied to the extent that they do not limit accounting consistency and to the extent that they are material to the reporting of the Group's net assets, financial position, and results of operations.
In accordance with section 291 (1) HGB, these consolidated financial statements exempt those group companies that are obliged to prepare consolidated financial statements under section 290 HGB from that obligation.
The consolidated financial statements are presented on the basis of financial statement forms 1 and 4 pursuant to section 58 (1) RechVersV. The forms are supplemented to reflect Group-specific characteristics and items relating to non-insurance business.
The single-entity financial statements of the entities included in the consolidated financial statements are nearly all prepared in accordance with the same accounting policies used by the ARAG Group. With the exception of associates, the financial statements of Group companies that are not prepared in accordance with the requirements of HGB and RechVersV are reconciled with regard to recognition, presentation, and valuation and brought into line with German accounting standards.
The accounting policies of the associate based in Switzerland generally differ from German accounting principles. The Swiss associate prepares its financial statements in accordance with the Swiss Code of Obligations (OR). The financial statements are not reconciled because the foreign accounting policies are largely similar to those of the HGB.

Basis of consolidation

As of December 31, 2022, 34 subsidiaries were included in the consolidated financial statements pursuant to section 301 (1) HGB (December 31, 2021: 37). A total of twelve entities were not included in the consolidated financial statements pursuant to section 296 (1) no. 2 HGB because they were deemed to be of minor significance to the presentation of the Group's net assets, financial position, and results of operations. Three of these entities ceased to be fully consolidated as of December 31, 2022 due to a change in the method of accounting used, but they did not leave the Group. One Group company was consolidated as an associate pursuant to section 311 HGB. As of December 31, 2022, the basis of consolidation excluding associates comprised six insurance companies (December 31, 2021: six), two service companies in the field of information technology and business organization (December 31, 2021: three), two real-estate management companies (December 31, 2021: two), three investment vehicles (December 31, 2021: three), 16 other service companies (December 31, 2021: 19), and five holding and asset management companies (including the parent company, ARAG Holding SE; December 31, 2021: five).

The following companies are included in the consolidated financial statements:

Name of company	Shareholding
	(%)
1 AFI Verwaltungs-Gesellschaft mbH, Düsseldorf	100.00
2 ALIN 1 Verwaltungs-GmbH, Düsseldorf	100.00
3 ALIN 2 Verwaltungs-GmbH, Düsseldorf	100.00
4 ALIN 4 Verwaltungs-GmbH, Düsseldorf	94.01
5 ALIN 1 GmbH & Co. KG, Düsseldorf	100.00
6 ALIN 2 GmbH & Co. KG, Düsseldorf	100.00
7 ALIN 4 GmbH & Co. KG, Düsseldorf	94.01
8 ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Düsseldorf	100.00
9 ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf	94.90
10 ARAG Allgemeine Versicherungs-AG, Düsseldorf	100.00
11 ARAG Digital Services AS, Oslo/Norway	100.00
12 ARAG Gesundheits-Services GmbH, Düsseldorf	94.01
13 ARAG Holding SE, Düsseldorf, **Group parent company**	100.00
14 ARAG Insurance Company Inc., Des Moines, Iowa/USA	100.00
15 ARAG International Holding GmbH, Düsseldorf	100.00
16 ARAG IT GmbH, Düsseldorf	100.00
17 ARAG Krankenversicherungs-AG, Munich	94.01
18 ARAG Legal Services B.V., Leusden/Netherlands	100.00
19 ARAG Legal Solutions Inc., Toronto/Canada	100.00
20 ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf	100.00
21 ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf	100.00
22 ARAG LLC, Des Moines, Iowa/USA	100.00
23 ARAG North America Inc., Des Moines, Iowa/USA	100.00
24 ARAG plc, Bristol/United Kingdom	100.00
25 ARAG Scandinavia AS, Oslo/Norway	100.00
26 ARAG SE, Düsseldorf	100.00
27 ARAG Service Center GmbH, Düsseldorf	100.00
28 ARAG Services Australia Pty. Ltd., Sydney/Australia	100.00
29 ARAG Services LLC, Des Moines, Iowa/USA	100.00
30 CUR Versicherungsmakler GmbH, Düsseldorf	100.00
31 Cura Versicherungsvermittlung GmbH, Düsseldorf	100.00
32 HELP Forsikring AS, Oslo/Norway	100.00
33 Interlloyd Versicherungs-AG, Düsseldorf	100.00
34 SolFin GmbH, Düsseldorf	84.79

The following company is included as an associate:

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

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

Name of company	Shareholding	Equity	Net income/ loss for the year
	(%)	(€)	(€)
1 Agencia de Seguros ARAG S. A., Barcelona/Spain	100.00	232,255.00	60,948.70
2 ARAG Services Spain & Portugal S. L., Barcelona/Spain [1]	100.00	615,843.92	–2,768,780.90
3 ARAG – France S. A. R. L. Assistance et Règlement de Sinistres Automobiles et Généraux, Versailles/France	100.00	18,988.00	0.00
4 ARAG Legal Protection Ltd, Dublin/Republic of Ireland	100.00	697,516.87	125,011.14
5 COLUMBUS Immobilien Fonds XVI GmbH & Co. KG, Munich [1]	55.57	975,081.44	93,300.56
6 Easy2claim Limited, Bristol/United Kingdom (inactive)	100.00	1.13	0.00
7 HelloLaw GmbH, Cologne [2]	100.00	157,523.66	–37,892.57
8 Jurofoon B. V., Leusden/Netherlands [2]	100.00	519,144.42	–78,754.13
9 Justix GmbH, Düsseldorf [2]	100.00	859,579.47	–1,133,441.89
10 Multiline Insurance Agency (MIA) S. r. l., Verona/Italy	100.00	55,936.51	–46,782.30
11 Prinzregent Vermögensverwaltungs-GmbH, Düsseldorf	100.00	33,681.27	68.59
12 VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf	100.00	304,353.58	272,881.60

[1] Figures from the financial statements for the year ended December 31, 2021.
[2] Entity ceased to be fully consolidated as of December 31, 2022 due to a change in the method of accounting used.

1 Procedures of consolidation

The consolidated financial statements are prepared on the basis of the single-entity financial statements of the Group companies. The financial year covered the period January 1 to December 31, 2022 and was identical to the financial years of the consolidated companies. Up to and including 2010, the accounting for subsidiaries in consolidated financial statements was based on the carrying amount method; the revaluation method used in subsequent years involved subtracting the fair value of the Group's share in the equity at the time of initial consolidation from the cost of the equity investments in the consolidated subsidiaries. If no interim financial statements were available at the time of integration into the Group, this calculation was carried out on the basis of the first set of annual financial statements following the integration. To subtract the equity attributable to the Group at the time of initial consolidation from the cost, the recognized and unrecognized assets and liabilities of the relevant subsidiaries were initially carried over to the acquisition balance sheet at fair value if there was any scope for revaluation. Where there was no further scope for revaluation, the excess of the purchase price over the net assets acquired was recognized as goodwill and amortized over its estimated useful life. This useful life is estimated on an individual basis but is not permitted to exceed 15 years. If a future benefit from goodwill is no longer expected, the remaining amount is written off. No write-offs were recognized in the reporting year.

In the case of subsidiaries that were already included in the consolidated financial statements in 1989 in accordance with section 27 of the Introductory Act to the German Commercial Code (EGHGB) or in cases where negative goodwill had arisen on acquisition that had affected the financial statements of the parent company in previous years, there was an offsetting against revenue reserves in earlier years (goodwill arising on consolidation). Goodwill amounts on initial consolidation have not been offset against revenue reserves since 2010 because this is no longer permitted under section 301 (3) HGB and GAS 23 nos. 84 and 91. This offsetting no longer had any impact as of December 31, 2022.

On deconsolidation of a subsidiary, the proceeds from the disposal are offset against the consolidated (residual) carrying amounts of the assets and liabilities attributable to that subsidiary, including any goodwill that has not already been offset. The share of non-controlling interests in the deconsolidated entity is derecognized in consolidated equity. A subsidiary is deconsolidated when the majority shareholders of the Group cease to have control pursuant to section 290 (2) HGB over the subsidiary. In 2022, three affiliated companies ceased to be fully consolidated due to a change in the method of accounting used following the discontinuation of their operations. To calculate the gain on disposal (change in the method of accounting), the fair values of the equity investments were used instead of proceeds from disposal. There was no gain on disposal.

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

Intercompany profit that is required to be eliminated is deducted from the carrying amounts of the affected assets and recognized in the income statement, provided that, overall, the amounts concerned are material to presenting a true and fair view of the net assets, financial position, and results of operations. Group companies' receivables from, and liabilities to, other Group companies are offset against each other. Intragroup reinsurance arrangements are eliminated.

Consolidated entities' sales revenue from the provision of goods and services to other consolidated entities is offset against the associated expenses incurred by the providing entity because the reallocation of secondary costs among the consolidated insurance companies means that the offset expenses for the provision of goods and services are already assigned to the correct functional area. Mark-ups included in the offset amounts are deducted under other net income/expense.

Consolidated insurance companies' brokerage services provided to other consolidated insurance companies are performed on the basis of arm's-length terms and conditions that are typical in the market. Commission resulting from brokerage and income from goods and services provided by other Group companies to Group insurance companies are consolidated at the level of the providing entity by offsetting the income against the related expenses.

Currency translation

Balance sheets prepared in foreign currencies are translated into euros using the modified closing-rate method. In this method, assets and liabilities (but not equity items) are translated at the middle spot rate on the balance sheet date. Amounts on the income statement that are recognized for the period are translated at an average of the month-end exchange rates in the reporting year. An amount of €2,522,850.50, representing the proportion attributable to the Group of the difference between the equity items translated at the historical exchange rate and the equity items translated at the closing rate, was transferred to revenue reserves directly in equity (currency translation differences). Currency translation differences that arise as part of the consolidation of intragroup balances are derecognized through the income statement. Intercompany profits are not affected by exchange rates.

Transactions denominated in foreign currency in single-entity financial statements are translated at the spot rate on the date of the transaction. In this case, income and expenses are translated at the same exchange rate used for the balance sheet items concerned. The quoted market price or market value for shares in affiliated companies and equity investments denominated in foreign currency is determined by using the middle spot rate on the reporting date; all other assets are valued using the lower of the exchange rate on the date of payment or the exchange rate on the balance sheet date. The sundry assets and liabilities with a residual maturity of up to one year are translated using the middle spot rate on the balance sheet date, disregarding the historical cost convention and the realization principle.

Recognition, valuation, and presentation methods

The consolidated balance sheet and consolidated income statement are presented on the basis of financial statement forms 1 and 4 prescribed by RechVersV.

Because the Group has multiple lines of business, the line items 'Market fees for goods and services provided by non-insurance companies' and 'Cost of goods and services provided by non-insurance companies to generate market fees' have been added to the income statement.

2 **Goodwill** results partly from accounting for subsidiaries in consolidated financial statements and partly from acquisitions.

In accordance with GAS 23 no. 115, the amortization period is defined on the basis of the estimated useful life. Up to 2010, this was assumed to be 15 years (value of in-force business) for insurance companies or otherwise estimated at up to five years on a case-by-case basis. Since 2010, useful lives of more than ten years have no longer been applied based on the principle stated in section 253 (3) sentence 4 HGB. As of December 31, 2022, there was no goodwill from accounting for subsidiaries in consolidated financial statements with a remaining useful life of more than five years (December 31, 2021: €5,623,919.54). The useful life was originally set at 15 years because the goodwill was defined as in-force business.

3 **Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets** are recognized at cost less straight-line amortization. The carrying amount of €10,616,909.73 can be broken down as follows: €,883,414.73 for software, €65,048.00 for industrial property rights and licenses, and €2,668,447.00 relating to in-force business from the acquisition of contracts in the Republic of Ireland in 2019. Software is amortized on a straight-line basis over three to five years. Most of the industrial property rights and licenses are not amortized (recognition at a fixed value); useful lives of ten and 25 years are applied for special licenses. The goodwill arising from the acquisition of a portfolio is being amortized over ten years. No write-downs were recognized in 2022.

4 **Land** and buildings are valued at cost less depreciation and are written down in accordance with the discretionary principle of lower of cost or market value. The useful life is generally recognized at 40 years for office buildings and 50 years for residential buildings. They are depreciated using the straight-line method. No write-downs due to anticipated permanent impairment were recognized in respect of land in the reporting year or the prior year. Reversals of write-downs were recognized in an amount of €2,167,782.81 (2021: €2,238,271.46) because the reasons for the recognition of the original write-down no longer applied. No land is encumbered by land charges used as collateral for liabilities to banks.

5 **Shares in non-consolidated affiliated companies** and **miscellaneous equity investments** are carried at cost in accordance with section 253 (1) HGB, less write-downs resulting from long-term impairment. In the reporting year, write-downs of €886,246.54 (2021: €3,687,737.87) were recognized on non-consolidated affiliated companies. No write-downs were recognized on miscellaneous equity investments. No reversals of write-downs pursuant to section 253 (5) HGB were recognized on shares in non-consolidated affiliated companies or on miscellaneous equity investments. **Investments in associates** are valued at their carrying amount at the time the shares were acquired or at the time of initial consolidation, plus or minus the pro rata amount of changes in equity in subsequent years. The goodwill arising from using the equity method at the time of initial consolidation is already fully amortized.

Lending to long-term investees and investors is recognized at cost. No repayments of principal have been made to date.

6 **Equities, investment fund shares/units, and other variable-yield securities** that have not been classified for permanent treatment as fixed assets are valued following the strict principle of lower of cost or quoted market price/market value as of the reporting date. If the reasons for a write-down in prior years cease to apply, the write-down is reversed to the lower of cost or fair value. If investment fund shares/units are classified for permanent use in business operations, short-term fluctuations in the market price do not result in changes to the carrying amount. Only long-term changes in fair value are recognized. The long-term fund value is calculated by reviewing the individual components of the fund. Criteria for reviewing long-term changes in the value of fixed-income securities are their credit rating and nominal amount. Comparisons with historical valuation parameters are used for equities. For shares in affiliated companies, in infrastructure investments, and in real estate investments, expert appraisals are obtained from the investment management companies based on the net asset value (NAV) for the quarter prior to the reporting date.
In the reporting year, write-downs amounting to €30,386,668.45 were recognized due to expected permanent impairment (2021: €8,297,631.03). Reversals of write-downs pursuant to section 253 (5) HGB were recognized in an amount of €98,805.17 in 2022 (2021: €10,555,891.78).
The designation of institutional fund shares/units for permanent use in business operations resulted in undisclosed liabilities (netted) of €57,733,524.49 due to write-downs not being recognized (December 31, 2021: €290,394.06).

7 Contrary to the principle set forth in section 341b (2) HGB, **bearer bonds and other fixed-income securities** are treated as fixed assets and therefore the discretionary principle of lower of cost or market value is used. For securities with a credit rating of less than BBB- (second-best rating) or which have been downgraded by two or more notches, the probability of default and the loss given default are analyzed. On this basis, the relevant securities are written down according to their credit risk, to a maximum of their fair value. The same applies if the issuer's rating falls below the stated threshold during the holding period. The strict principle of lower of cost or market value is applied for securities without a rating. If securities are acquired above or below par and held to maturity, the difference between this amount and the nominal value forms a component of cost. It is posted together with the security but treated separately. The difference (known as a premium where the cost is higher than the nominal value, or a discount where the cost is lower than the nominal value) is amortized over the term of the bearer bond using the effective interest method (disclosed as additions and disposals in the breakdown of investments). Reversals of write-downs were recognized in an amount of €189,877.48 in 2022 (2021: €599,017.93) because there was a recovery in value. Write-downs of €23,951,123.50 had to be recognized (2021: €14,169,536.01).

In 2022, bearer bonds of €1,589,537.0 thousand were reclassified from current assets to fixed assets as they are intended for permanent use in business operations. This reclassification avoided write-downs of €245,938.2 thousand.

8 **Loans secured by mortgages or land charges and fixed-income receivables, and other investments** are accounted for at fair value. No write-downs due to permanent impairment were required.

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

10 **Promissory notes and loans** are recognized at cost less repayments made. In addition to the nominal amount, premiums and discounts are recognized as a separate component of cost. They are taken to income over the term to maturity using the effective interest method and are recognized as interest income or treated as negative interest income. **Sundry lending** comprises miscellaneous loans; this lending is recognized and measured in the same way as promissory notes and loans.

11 **Bank deposits** are recognized at their nominal amount. As of December 31, 2021, **other investments** had comprised shares in cooperatives. They were valued at cost. **Deposits with ceding insurers** are recognized at the nominal value of the collateral furnished to cedants.

The residual maturity is less than one year because the contracts are renewed annually.

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

13 **Property and equipment** is recognized at cost and depreciated on a straight-line basis over the standard operating useful life.

14 **Inventories** are determined by carrying out physical inventory checks. They are valued at cost and reduced by appropriate write-downs to account for storage risk and impaired marketability.

15 **Current bank balances, checks, and cash on hand**, together with **other assets**, are recognized at their nominal amounts. Other assets include tax assets of €17,638.3 thousand (December 31, 2021: €25,786.8 thousand), insurance assets of €0.0 thousand (December 31, 2021: €84.9 thousand), and miscellaneous items amounting to €252.3 thousand (December 31, 2021: €204.7 thousand).
As of December 31, 2021, asset values relating to reinsurance had been recognized at the amount provided by the insurance company.

16 **Prepaid expenses and accrued income** mainly consist of accrued rights to interest that are not yet due in respect of the income period before the balance sheet date and of cash payments expensed after the balance sheet date. This line item also includes an amount of €1,379,094.65 (December 31, 2021: €1,969,064.38) stemming from the difference pursuant to section 341c (2) sentence 2 HGB.

17 **Deferred tax assets** include the likely tax benefit in subsequent financial years based on the income tax rates expected to apply when differences reverse. If differences arise between the carrying amounts in the HGB consolidated financial statements and those in the tax base as a result of consolidation adjustments and these differences are expected to reverse in subsequent years, deferred taxes are recognized 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 or depends on action by the entity concerned, and differences that would only reverse in the event of any liquidation. Deferred tax assets are not recognized in respect of tax loss carryforwards.

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

19 **Group equity** is presented in detail in the statement of changes in group equity. These items are broken down in accordance with GAS 22. The subscribed capital of the Group's parent company amounts to €200,000,000.00. It is divided into 200,000 no-par-value shares. All of the shares are registered. The subscribed capital is fully paid up.
The parent company plans to appropriate an amount of €10,000,000.00 from the profits generated in 2022, to be paid as a dividend to the shareholders. In principle, amounts equivalent to net deferred tax assets and assets intended to cover defined benefit obligations, where such assets are valued at a fair value that exceeds cost, are prohibited from being distributed as a dividend under section 268 (8) HGB. Furthermore, section 253 (6) HGB specifies that the difference arising from the measurement of obligations for pensions and other post-employment benefits using the ten-year market discount rate average compared with that based on the seven-year market discount rate average can only be distributed as a dividend from freely available reserves. As these matters are not relevant, or are only partially relevant, to the single-entity financial statements of the parent company ARAG Holding SE and, furthermore, these consolidated financial statements do not serve as the basis for the measurement of any dividend distribution, there is no need to disclose any amounts subject to a restriction on distribution, even though there are circumstances

that give rise to a prohibition, in principle, on the distribution of certain amounts as a dividend. In any case, there are sufficient freely available reserves at Group level to satisfy the requirements in full. The articles of incorporation do not include any restrictions on the use of profits.

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

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

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

22 The **actuarial reserve for health insurance** is calculated individually for each insurance policy in accordance with actuarial principles defined in the technical basis of calculation, applying the underlying data from the insurance policy in question. Moreover, the actuarial reserve also contains transfer amounts received as a result of additions and the transfer amounts still to be surrendered owing to lapses as of the balance sheet date. The average discount rate is 2.22 percent.

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

23 The **provision for outstanding claims** in relation to direct casualty and property insurance business is recognized separately by event year for claims reported in the financial year concerned and for anticipated claims that are reported after the balance sheet date. Based on the special principle of prudence for the claims provision under HGB accounting rules, the estimate was not carried out on a risk-neutral basis in terms of the weighting of opportunities and risks. Instead, uncertainties were factored in to prevent subsequent expenditure on a single claim exceeding the estimated amount recognized as a provision. Since 2021, the estimate process for group valuations for direct legal insurance business in Germany has been aligned with the findings from the regulatory estimate in the context of Solvency II. 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. Recourse claims that are expected to be recovered in the next year are deducted from the property insurance companies' claims provision. The benefit reserve for annuities contained in the provision for outstanding claims is calculated individually using actuarial principles and in accordance with the Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV) – based on an entity-specific discount rate of 0.25 percent – by the Company's appointed actuary, taking the expenses required for settlement into account.

The provision for outstanding claims in the inward reinsurance business is recognized in accordance with the information provided by the primary insurer. The provision for outstanding claims in connection with the inward reinsurance business from the United Kingdom is determined on the basis of past experience and statistics produced by the Group's own local claims settlement company. For inward after-the-event (ATE) business from Canada, an additional reserve was recognized on the basis of inhouse actuarial calculations and was adjusted in line with business performance. In the case of inward reinsurance business that is treated as direct insurance business because the reinsurer settles the claims, the provision is recognized in accordance with the same principles as apply to direct insurance business. The portions relating to outward reinsurance business are calculated in accordance with the stipulations in the reinsurance treaties. In the year under review, currency-related adjustments to the claims reserves were applied on the basis of exchange rates at the end of each quarter. The resulting exchange differences were recognized under other net income/expense. The valuation method used for inward reinsurance business was the same one used in the previous year.

Technical interest income is calculated at 0.25 percent of the arithmetic mean of the opening and closing balances of the actuarial reserve and the benefit reserves for annuities in the casualty and property insurance segment.

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

The expenses that are likely to be incurred after the balance sheet date for settling claims from previous years were determined in accordance with 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 figures are not discounted.

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

25 The **lapse provision** (reported under **miscellaneous technical provisions**) for discontinuation and reduction of risk in direct insurance business was calculated using a lapse rate based on empirical values in the year under review. The breakdown by individual insurance segment is based on the allocation formula for premiums. The **provision recognized for premium waivers** relates to the scales of rates offered in the property and casualty insurance business under which the obligation to pay the premiums is waived for up to five years, e.g. in the event of unemployment. The provision offsets the expenses that are likely to be incurred (claims, costs, commissions) during the period of unemployment. The expected duration of the waiver of premiums is estimated on the basis of internal statistical analysis. The **provision for assistance for victims of traffic accidents** is, where available, recognized on the basis of the share specified by the German Road Casualty Support Organization, otherwise on the basis of empirical values.

26 In accordance with standard international practice, the **provisions for pensions and other post-employment benefits** are calculated using the projected unit credit (PUC) method and applying section 253 (1) sentence 2 HGB on the basis of the Heubeck 2018 G mortality tables or local mortality tables that accurately reflect life expectancy outside Germany. In addition to current circumstances, future trends in salaries, pensions, and staff turnover are taken into account. The defined benefit obligations were discounted in accordance with section 253 (2) sentence 1 HGB using the average market interest rate, which in the case of provisions for pensions, is based on the market interest rate for the past ten years. The interest rate used was forecast at the reporting date using market data as of October 31, 2022 and was determined in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV). Exercising the option granted by section 253 (2) sentence 2 HGB, a remaining term of 15 years was assumed. As a result of using a ten-year discount rate, the provision for pensions and other post-employment benefits as of December 31, 2022 was €15,191,522.00 lower than if the seven-year discount rate had been used (December 31, 2021: €22,599,993.00 lower).

The following actuarial parameters were used to calculate the obligations: pension age: earliest possible age under the Pension Age Reform Act (RVAGAnpG) in Germany, in accordance with individual agreements in Austria, 65 years in Spain; annual increase in salaries: 2.5 percent (December 31, 2021: 2.5 percent); annual increase in pension benefits: 2.30 percent (December 31, 2021: 1.75 percent); discount rate: 1.79 percent (December 31, 2021: 1.87 percent; discount rate pursuant to section 253 (2) sentence 2 HGB, ten-year average) and 1.45 percent (December 31, 2021: 1.35 percent, seven-year average).

The level of staff turnover taken into account reflects the generally observable age-dependent average for the industry (1.5 percent or sliding scale linked to age) and has only a minor impact on the settlement value. The settlement value includes a shortfall in pension funds used to cover pension commitments to employees. The shortfall has been caused by the long period of low interest rates and amounted to €120,258.10 as of December 31, 2022 (December 31, 2021: €635,534.12). This shortfall has been determined in accordance with actuarial principles and reported as a pension obligation.

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

Net provisions for pensions and other post-employment benefits

(€)	Dec. 31, 2022	Dec. 31, 2021
Amount required to settle the vested entitlements	311,590,660.85	282,273,579.04
Netted assets (fair value)	–17,342,692.84	–4,346,472.00
Amount reported on the balance sheet	**294,247,968.01**	**277,927,107.04**

In 2022, the presentation was changed for the US pensions and other post-employment benefits that are fully covered by a securities account pledged to the pension beneficiaries. As of December 31, 2022, the fair value of this account was €14,679,533.24, which is €345,314.46 higher than the present value of the obligation. The difference is recognized under the balance sheet item 'Excess of plan assets over pension liabilities'.
The netted assets consist of reinsurance assets equating to the value of the pension obligations and securities recognized at fair value on the reporting date. The option pursuant to section 28 (1) EGHGB, which permits provisions for pensions and other post-employment benefits not to be recognized for legacy entitlements, has not been exercised.

27 **Miscellaneous provisions: Provisions for early retirement obligations** are recognized for those persons with whom individual contractual agreements have been reached. The provisions are calculated using actuarial principles; as of the reporting date, the amounts were discounted to present value using a discount rate of 1.45 percent (December 31, 2021: 1.35 percent). In 2022, a **provision in accordance with the pre-retirement part-time employment agreement** for the private insurance industry dated June 11, 1997 was recognized – in line with the accounting principle issued by the Main Technical Committee of the Institute of Public Auditors in Germany (IDW AcP HFA 3) dated November 18, 1998 – using a maturity-matched discount rate of 1.45 percent (2021: 1.35 percent). In the case of deferred beneficiaries with whom a specific agreement has not yet been reached, the probability of their making use of the early retirement arrangements and natural employee turnover were taken into account. Credit balances on employee working hours accounts models in Germany are protected against insolvency by means of a fixed liability guarantee from a German commercial bank. A **long-service provision** was recognized in the year under review for long-service awards to be paid to employees. The provision was calculated using the projected unit credit method taking into account death rates in accordance with the Heubeck 2018 G mortality tables and applying a discount rate of 1.45 percent (2021: 1.35 percent). The calculation also included staff turnover at an average rate of 1.50 percent and salary increases at a rate of 2.50 percent. The earliest possible pension age under RVAGAnpG was selected as the final age.

The **sundry provisions** and the **provisions for taxes** are recognized in the amount that is necessary to settle the obligation according to prudent business practice.
Interest income of €16,827.21 (2021: €282.91) and interest expenses of €142,567.19 (2021: €170,145.44) arose from the discounting of provisions with a maturity of more than one year.

28 **Deposits received from reinsurers** and **other liabilities** are recognized at their settlement value. The residual maturity is less than one year in each case.

29 The **liabilities from direct insurance business** and **liabilities from reinsurance business** are valued at their settlement value (nominal amount). Liabilities denominated in foreign currency are translated using the middle spot exchange rate as of the reporting date, disregarding both the historical cost convention and the realization principle. The residual maturity is less than one year in each case.

30 **Deferred income and accrued expenses** contain differences pursuant to section 341c (2) sentence 1 HGB of €156,905.54 (December 31, 2021: €183,064.11).

31 **Associates**

Goodwill arising on the consolidation of associates using the equity method no longer exists as this goodwill has already been fully amortized. Accordingly, no amortization or write-downs were recognized on the goodwill of associates in 2022.

II. Source of Insurance Business by Premiums Written

32 Of the **gross premiums written**, a sum of €1,887,458.7 thousand was attributable to direct insurance business (2021: €1,720,521.6 thousand) and €311,932.9 thousand to inward reinsurance business (2021: €296,913.2 thousand). Premiums from direct insurance business consisted of €1,242,812.6 thousand from Germany (2021: €1,148,658.8 thousand), €455,468.3 thousand from other member states of the European Community and other countries that have signed up to the Agreement on the European Economic Area (EEA) (2021: €418,596.2 thousand), and €189,177.9 thousand from non-EEA countries (2021: €153,266.7 thousand).
The ARAG Group does not operate any insurance business outside Europe, North America, or Australia.

33 III. Changes in Asset Items A., B. I. to III. in the Financial Year 2022

Changes in asset items

(€'000)		Carrying amount as of Jan. 1, 2022	Additions	Additions/ disposals in basis of consolidation	Reclassifications
A.	**Intangible assets**				
	1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	9,315	5,749	0	0
	2. Goodwill	7,328	0	0	0
	Total for A.	**16,642**	**5,749**	**0**	**0**
B. I.	**Land, land rights and buildings, including buildings on third-party land**	**187,072**	**213**	**0**	**0**
B. II.	**Investments in affiliated companies and equity investments**				
	1. Shares in affiliated companies	1,492	0	886	0
	2. Lending to affiliated companies	0	0	0	0
	3. Equity investments	17,450	8,010	0	0
	4. Lending to long-term investees and investors	3,750	0	0	0
	Total for B. II.	**22,692**	**8,010**	**886**	**0**
B. III.	**Miscellaneous investments**				
	1. Equities, investment fund shares/units, and other variable-yield securities	1,828,999	306,647	0	0
	2. Bearer bonds and other fixed-income securities [1]	2,087,330	558,971	0	0
	3. Loans secured by mortgages or land charges and fixed-income receivables	0	0	0	0
	4. Miscellaneous lending				
	a) Registered bonds	574,030	70,000	0	0
	b) Promissory notes and loans	486,166	33,483	0	0
	c) Loans and prepayments for certificates of insurance	0	0	0	0
	d) Sundry lending	76	91	0	0
	5. Bank deposits	46,868	37,703	0	0
	6. Other investments	16	0	0	0
	Total for B. III.	**5,023,485**	**1,006,895**	**0**	**0**
Total for B. I. to B. III.		**5,233,249**	**1,015,118**	**886**	**0**

[1] In 2022, bearer bonds of €1,589,537.0 thousand in this item were reclassified from current assets to fixed assets.

Land, land rights and buildings on third-party land with a carrying amount of €126,511,185.77 (December 31, 2021: €128,937,782.58) are used for the insurance business operations of Group companies.

Disposals	Exchange-rate adjustments	Reversals of write-downs	Write-downs	Carrying amount as of Dec. 31, 2022	Fair value pursuant to sec. 54 RechVersV	Valuation reserve
3	– 191	0	4,253	10,617		
0	55	0	1,283	6,099		
3	**– 137**	**0**	**5,536**	**16,716**		
237	**– 70**	**2,168**	**5,696**	**183,450**	**398,767**	**215,317**
0	0	0	886	1,492	2,871	1,378
0	0	0	0	0	0	0
5,907	621	0	0	20,173	63,063	42,890
0	0	0	0	3,750	3,750	0
5,907	**621**	**0**	**886**	**25,415**	**69,684**	**44,268**
265,464	3	99	30,387	1,839,896	1,897,630	57,734
253,491	2,626	190	23,951	2,371,675	2,098,004	– 273,671
0	0	0	0	0	0	0
76,000	0	0	0	568,030	527,886	– 40,144
64,294	0	0	433	454,922	429,995	– 24,927
0	0	0	0	0	0	0
49	0	0	0	118	118	0
0	– 317	0	0	84,255	84,255	0
16	0	0	0	0	**0**	**0**
659,314	**2,312**	**289**	**54,770**	**5,318,896**	**5,037,887**	**– 281,009**
665,458	**2,862**	**2,456**	**61,352**	**5,527,762**	**5,506,338**	**– 21,423**

IV. Other Disclosures

Investment fund disclosures

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

Institutional funds

Name	Type of fund	Investment objective	Carrying amount as of Dec. 31, 2022	Market value as of Dec. 31, 2022	Difference	Dividend in 2022	Redemption
			(€)	(€)	(€)	(€)	
ARRE	Mixed fund	Increased income	376,630,305.05	332,200,018.09	–44,430,286.96	882,450.36	At any time
ARI 1	Fixed-income fund	Increased income	136,158,786.72	124,537,165.77	–11,621,620.95	857,667.72	At any time
ARI 2	Fixed-income fund	Increased income	107,568,681.93	103,169,474.01	–4,399,207.92	965,198.94	At any time
ALLTRI	Mixed fund	Increased income	176,901,124.87	195,093,848.11	18,192,723.24	408,927.38	At any time
EMA	Equity fund	Increased income	54,347,233.88	54,347,233.88	0.00	14,450.98	At any time
AKR	Fixed-income fund	Increased income	344,065,700.73	299,981,733.66	–44,083,967.07	0.00	At any time
AAF	Equity fund	Increased income	127,044,097.85	158,635,554.65	31,591,456.80	0.00	At any time
SIVE Fonds	Equity fund	Increased income	135,035,304.67	161,694,068.23	26,658,763.56	0.00	At any time
			1,457,751,235.70	**1,429,659,096.40**	**–28,092,139.30**	**3,128,695.38**	

The investment objectives of the funds – which can be traded ahead of a stock market trading day – are based on the relevant benchmarks derived from the strategic investment structure. The option to select the discretionary principle of lower of cost or market value pursuant to section 341b (2) second half-sentence HGB was used for all institutional funds. These funds are all intended to be used permanently as part of the working capital of the Group. This gave rise to an undisclosed liability of €104,535.1 thousand (December 31, 2021: €290.4 thousand) in respect of the funds listed in the table. Write-downs of €30,386,668.45 were recognized on the entire portfolio of equities and investment fund shares/units (2021: €8,297,631.03). Reversals of write-downs pursuant to section 253 (5) HGB were recognized on the entire portfolio in an amount of €98,805.17 in 2022 (2021: €10,555,891.78).

34 Deferred taxes disclosures

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

Balance sheet items

(€'000)	Deferred taxes as of Dec. 31, 2022	Deferred taxes as of Dec. 31, 2021
Intangible assets	0	640
Investments	5,212	– 896
Receivables	– 436	– 122
Miscellaneous assets	64	50
Prepaid expenses and accrued income	0	0
Technical provisions	– 4,652	– 1,994
Other provisions	610	1,760
Other liabilities	0	0
Deferred income and accrued expenses	0	0
Loss carryforwards	0	0
	798	**– 562**

A net deferred tax asset pursuant to section 274 (1) sentence 2 HGB was not reported at single-entity financial statements level because its recoverability cannot be proved. Only net deferred tax liabilities that were reported in single-entity financial statements have been included in the consolidated financial statements. Net deferred taxes that arose as a consolidation effect at Group level in accordance with section 306 HGB were valued on the basis of the Group's financial performance and not written down. They were calculated using the weighted average Group tax rate expected to apply at the time the effect reverses. At Group level, net deferred tax assets were also included in the carrying amounts of the consolidated financial statements. However, these have been offset in the consolidated financial statements against the net deferred tax liabilities from the single-entity financial statements. Deferred tax assets are not recognized on losses carried forward.

35 Net extraordinary income/expense

There were no transactions in 2022 or 2021 that would have had to be recognized in net extraordinary income/expense.

36 Income taxes

The amount of income taxes in the income statement is calculated as follows:

Income taxes

	2022		2021	
	(%)	(€)	(%)	(€)
Profit before tax (HGB financial statements)		97,287,531.95		86,727,511.39
Expected income tax expense based on tax rate	23.04	**22,415,047.36**	26.47	**22,956,772.26**
Current taxes		51,277,961.25		48,663,305.20
Deferred taxes		–1,359,317.04		–591,622.53
Reported income tax expense		**49,918,644.21**		**48,071,682.67**
Effective tax rate	51.31		55.43	
Miscellaneous taxes		3,833,286.11		803,367.38
Tax expense reported in the income statement		**53,751,930.32**		**48,875,050.05**

The difference between the expected and effective tax expense was attributable to a range of factors. Firstly, the Group operates in a number of countries. Each entity is taxable in its home country based on the taxable income determined according to local regulations. Depending on the loss carryback rules in each country, entities that incur losses may only receive a reduced tax credit or no tax credit at all. However, the income components of all the entities and permanent establishments included in the consolidation are aggregated within the Group's profit before tax, regardless of the actual applicable jurisdiction. This tends to lead to a higher tax rate. Furthermore, tax law in virtually all the countries in which the ARAG Group operates provides for add-ons and deductions that are separate from the financial statements, but that are applied to the profit reported in the tax base in order to determine the actual basis for the assessment of tax. In this process, the tax assessment may disregard (expense and/or income) elements of the consolidated profit before tax. The consolidated tax expense is also affected by the change in the balance of deferred taxes caused by differences between the valuation of assets and liabilities in the HGB financial statements and that in the tax base. Lastly, the consolidated tax expense also includes tax refunds and retrospective tax payments for previous years that are unrelated to profit before tax for the reporting period. These items amounted to €3,118,323.05 (expense balance) in 2022 and €486,853.31 (expense balance) in 2021.

In the reporting year, an expense amounting to €233.9 thousand (2021: expense of €1,354.9 thousand) arose from consolidation effects, mainly from the revaluation of land at Group level.

The aggregate net deferred tax liability from the different sets of single-entity financial statements arises as a result of variations in the valuations for tax purposes of land, equities and investment fund shares/units, receivables from policyholders, the provision for outstanding claims, the technical provisions, the provision for pensions and other post-employment benefits, and miscellaneous provisions. The main deferred tax liabilities arise from variations in the recognition for tax purposes of the equalization provisions in Austria and the Netherlands that are recognized only for tax purposes. Deferred taxes are recognized in the single-entity financial statements only if there is not a net asset balance. The income statement therefore does not include the full change in deferred taxes.

Miscellaneous financial commitments pursuant to section 285 no. 3 HGB

Rental and leasing agreements with varying terms for premises, vehicles, and office equipment as well as for the hardware and software used in a data center that have been entered into outside the insurance business give rise to total annual obligations that are of a standard magnitude for the industry. The following unpaid contributions in respect of equity investments and private-equity fund structures are attributable to the Group:

Unpaid contributions and obligations to pay in capital

Name of company/type of obligation to pay in capital	(€)
Private-equity and infrastructure funds	318,343,904.74
FOYER-ARAG S. A., Luxembourg	24,788.00

The unpaid contributions have not been called up. They are not expected to be called up in the short term. It would be reasonable to expect obligations to pay in capital to be called up by the investment funds (infrastructure and private-equity funds) over a period ranging from a few weeks to three years.

Contingent liabilities

The Group is a member of the protection fund for providers of substitutive private health insurance. This protection fund can collect special contributions up to a maximum of 0.2 percent of the total net technical provisions for health insurance, which amounted to €5,459,270.16 as of the reporting date (December 31, 2021: €5,137,977.43).

Auditor's fees

The auditor of the consolidated financial statements is KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne. The Group companies incurred expenses for auditor's fees of €1,287,266.00 for the audit of annual financial statements and Solvency II balance sheets and €7,746.90 for assurance engagements. No other consulting or advisory services were provided in the reporting year and no related fee expenses were therefore incurred. In 2022, an amount of €649.18 was reversed from the provision for audit services recognized in 2021 because the actual invoice amounts were lower than the expense that had been estimated in the previous year. The amounts above include the standard levels of out-of-pocket expenses and the VAT on the auditor's fees and out-of-pocket expenses (€206,663.11) because the ARAG Group is not entitled to offset input VAT.

37 Expenses for bonuses and rebates net of reinsurance

(€)	2022	2021
Expenses for performance-based bonuses and rebates	34,706,726.73	38,669,983.87
Expenses for non-performance-based bonuses and rebates	14,903.47	13,809.86
Total expenses	34,721,630.20	38,683,793.73

Commissions and other remuneration for insurance agents, staff costs

(€)	2022	2021
1. Commissions of all types for insurance agents within the meaning of section 92 HGB for direct insurance business	344,622,741.35	320,714,530.39
2. Other remuneration for insurance agents within the meaning of section 92 HGB	17,455,131.33	18,546,645.53
3. Wages and salaries	312,069,187.44	295,739,611.99
4. Social security and other employee benefit expenses	52,350,940.01	48,723,062.49
5. Pension and other post-employment benefit expenses	45,901,275.62	40,148,476.29
6. Total expenses	772,399,275.75	723,872,326.69

Average number of employees in 2022

The Group's fully consolidated entities employed an average of 4,645 people in 2022 (2021: 4,514). As of December 31, 2022, the Group had a total of 4,760 employees (December 31, 2021: 4,678).

The insurance companies employed an average of 4,044 people (2021: 3,948). The average number of people employed by all of the administrative entities and service companies was 687 (2021: 662). In the German Group companies, an additional 29 people were employed for the purpose of vocational training (2021: 31). At the end of 2022, the ARAG Group had a total of 2,242 (December 31, 2021: 2,202) employees in Germany. A further 2,518 (December 31, 2021: 2,476) people were employed outside Germany, equating to 52.9 percent (December 31, 2021: 52.9 percent) of the total workforce.

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

The expense for Supervisory Board remuneration in all Group companies came to €275,000.00.

The remuneration for the members of the Management Board of the parent company in return for the responsibilities undertaken in the parent company and in the subsidiaries, including remuneration not actually paid but recognized as a provision, amounted to €1,266,396.31. There are no current pensions or vested pension entitlements for former members of the Management Board and their surviving dependants.

V. Governing Bodies of the Company

Supervisory Board	**Gerd Peskes**	Wirtschaftsprüfer (German Public Auditor), Essen, Chairman
	Dr. Tobias Bürgers	Attorney, Munich, Deputy Chairman
	Professor Emeritus Dr. Brigitte Grass	University professor, Cologne
Management Board	**Dr. Dr. h. c. Paul-Otto Faßbender**	Chief Executive Officer, Düsseldorf
	Klaus Heiermann	Cologne
	Dr. Sven Wolf	Krefeld

VI. Report on Post-Balance Sheet Events

There were no events of particular significance after December 31, 2022. So far in 2023, business performance has been in line with expectations.

Düsseldorf, April 27, 2023

ARAG Holding SE

The Management Board

Dr. Dr. h. c. Paul-Otto Faßbender

Klaus Heiermann

Dr. Sven Wolf

Consolidated Cash Flow Statement for 2022

Cash flow statement

(€)	2022	2021
Cash flows from operating activities		
Profit for the period	43,535,602	37,852,461
Increase(+)/decrease(–) in technical provisions, net	241,958,923	288,403,104
Increase(–)/decrease(+) in deposits with ceding insurers and in receivables from reinsurance business	8,753,095	– 19,687,973
Increase(+)/decrease(–) in deposits from reinsurers and liabilities from reinsurance business	650,713	– 2,330,394
Increase(–)/decrease(+) in receivables from direct insurance business	– 11,429,150	– 4,238,361
Increase(+)/decrease(–) in liabilities from direct insurance business	2,913,453	7,918,090
Increase(–)/decrease(+) in miscellaneous receivables	– 1,963,132	– 287,373
Increase(+)/decrease(–) in miscellaneous liabilities	10,698,701	2,574,755
Change in miscellaneous balance sheet items not related to investing or financing activities	– 325,193,316	– 348,925,280
Other non-cash income and expenses, and adjustment of the profit/loss for the period	68,497,083	19,057,308
Gain(–)/loss (+) on the disposal of investments, property and equipment, and intangible fixed assets	– 10,772,724	– 5,115,663
Expenses for/income from extraordinary items	0	0
Current income tax expense/income	51,277,961	48,663,305
Cash receipts from extraordinary items	0	0
Cash payments for extraordinary items	0	0
Income taxes paid	– 52,723,069	– 39,549,231
Cash flows from operating activities	**26,204,140**	**– 15,665,252**
Cash flows from investing activities		
Proceeds from disposal of consolidated entities	0	0
Proceeds from disposal of property and equipment	152,711	1,113,031
Proceeds from disposal of intangible fixed assets	5,640	– 42,160
Payments to acquire property and equipment	– 9,227,859	– 4,222,466
Payments to acquire intangible fixed assets	– 5,749,229	– 4,232,785
Proceeds from disposal of investments related to fund-linked life insurance	0	0
Payments to acquire investments related to fund-linked life insurance	0	0
Cash receipts from extraordinary items	0	0
Cash payments for extraordinary items	0	0
Cash flows from investing activities	**– 14,818,737**	**– 7,384,380**
Cash flows from financing activities		
Proceeds from capital contributions by shareholders	0	0
Cash payments to shareholders from the redemption of shares	0	0
Cash receipts from extraordinary items	0	0
Cash payments for extraordinary items	0	0
Dividends paid	– 10,000,000	– 10,000,000
Proceeds(+)/cash payments(–) related to miscellaneous financing activities	0	0
Cash flows from financing activities	**– 10,000,000**	**– 10,000,000**
Net change in cash and cash equivalents	1,385,403	– 33,049,632
Effect on cash and cash equivalents of exchange rate movements and remeasurements	0	0
Effect on cash and cash equivalents of changes in the basis of consolidation	0	0
Cash and cash equivalents at beginning of period	188,805,555	221,855,188
Cash and cash equivalents at end of period	**190,190,958**	**188,805,555**

38 Statement of Changes in Group Equity in Accordance with GAS 22 for the Year Ended December 31, 2022

(€'000)										Equity attributable to parent entity
	(Adjusted) subscribed capital				Reserves					
	Subscribed capital	Treasury shares	Uncalled unpaid contributions	Total	Capital reserves			Revenue reserves		
	Ordinary shares				Pursuant to sec. 272 (2) nos. 1–3 HGB	Pursuant to sec. 272 (2) no. 4 HGB	Total	Statutory reserves	Reserves provided for by the articles of incorporation	Other revenue reserves
Balance as of Jan. 1, 2022	**200,000**			**200,000**				**16,005**		**343,291**
Transfers to/withdrawals from reserves								918		26,161
Distribution										
Currency translation										
Miscellaneous changes										
Changes in the basis of consolidation										
Consolidated net income										
Balance as of Dec. 31, 2022	**200,000**			**200,000**				**16,923**		**369,452**

Equity attributable to parent entity						Non-controlling interests				Consolidated equity
Revenue reserves Total	Reserves Total	Currency translation difference	Retained profits brought forward	Consolidated net income attributable to the parent entity	Total	Non-controlling interests before currency translation differences	Currency translation differences attributable to non-controlling interests	Profit or loss attributable to non-controlling interests	Total	Total
359,296	**359,296**	**7,693**		**37,080**	**604,069**	**9,100**	**28**	**773**	**9,900**	**613,969**
27,080	27,080			– 27,080		253		– 253		
				– 10,000	– 10,000			– 520	– 520	– 10,520
		2,523			2,523					2,523
						– 142			– 142	– 142
				42,798	42,798			737	737	43,536
386,376	**386,376**	**10,216**		**42,798**	**639,390**	**9,211**	**28**	**737**	**9,976**	**649,366**

Segment Reporting – Balance Sheet

(€'000)	Legal insurance		Casualty and property insurance	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
A. Intangible assets	**10,700**	**9,161**	**0**	**0**
B. Investments	**2,682,777**	**2,588,243**	**485,169**	**475,816**
I. Land and buildings, including buildings on third-party land	58,136	60,760	23,549	24,157
II. Investments in affiliated companies and equity investments	480,880	472,172	46,916	45,710
III. Miscellaneous investments	2,081,726	1,989,735	411,539	402,963
IV. Deposits with ceding insurers	62,035	65,576	3,166	2,985
C. Miscellaneous segment assets	**305,666**	**297,585**	**22,437**	**30,727**
Total segment assets	**2,999,143**	**2,894,989**	**507,605**	**506,543**
A. Technical provisions	**1,738,609**	**1,667,717**	**358,685**	**348,264**
I. Unearned premiums	228,088	217,133	46,811	44,988
II. Actuarial reserve	0	0	15	16
III. Provision for outstanding claims	1,430,884	1,387,650	276,417	274,323
IV. Provision for bonuses and rebates	0	0	0	0
V. Equalization provision	79,753	62,213	69,046	66,990
VI. Miscellaneous technical provisions	1,080	949	1,931	1,906
VII. Reinsurers' share of technical provisions	– 1,195	– 228	– 35,535	– 39,958
B. Miscellaneous segment liabilities	**453,131**	**436,644**	**55,917**	**56,792**
Total segment liabilities	**2,191,740**	**2,104,361**	**414,602**	**405,056**
Equity [1]				
Total equity and liabilities				

[1] Consolidated equity including non-controlling interests and goodwill arising on consolidation.

The segment reporting reflects internal reporting and its presentation has been adapted in line with GAS 28 published by the German Accounting Standards Board (GASB). There is no structural break that required the prior-year figures to be restated. The segmentation of the ARAG Group follows the internal organizational and management structure, which is based on strategic business lines. The segments chosen reflect the Group's risks and opportunities.

The strategic business lines are:

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

The service companies and asset management companies comprise the Group parent company, other intermediate holding companies that manage assets, and a number of other entities, including real-estate management companies, IT companies, and service companies that support the insurance business. These also include the intermediaries that broker insurance business to non-Group insurance companies. ARAG Group then provides reinsurance for this business.

Health insurance		Services and asset management		Total		Consolidation		Group total	
Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
13	**30**	**730**	**1,046**	**11,443**	**10,237**	**5,273**	**6,406**	**16,716**	**16,642**
2,922,211	**2,740,820**	**544,540**	**515,826**	**6,634,697**	**6,320,705**	**−1,041,734**	**−1,018,895**	**5,592,963**	**5,301,810**
76,355	75,534	28,371	29,590	186,411	190,042	−2,961	−2,969	183,450	187,072
107,202	88,191	429,191	432,543	1,064,189	1,038,617	−1,038,773	−1,015,925	25,415	22,692
2,738,655	2,577,094	86,978	53,693	5,318,896	5,023,485	0	0	5,318,896	5,023,485
0	0	0	0	65,201	68,561	0	0	65,201	68,561
56,031	**54,316**	**85,352**	**81,711**	**469,486**	**464,339**	**798**	**0**	**470,283**	**464,339**
2,978,255	**2,795,166**	**630,623**	**598,583**	**7,115,626**	**6,795,281**	**−1,035,664**	**−1,012,489**	**6,079,962**	**5,782,792**
2,729,635	**2,568,989**	**0**	**0**	**4,826,929**	**4,584,970**	**0**	**0**	**4,826,929**	**4,584,970**
17,730	16,676	0	0	292,629	278,797	0	0	292,629	278,797
2,350,383	2,205,050	0	0	2,350,398	2,205,067	0	0	2,350,398	2,205,067
86,535	79,478	0	0	1,793,837	1,741,450	0	0	1,793,837	1,741,450
272,221	264,720	0	0	272,221	264,720	0	0	272,221	264,720
0	0	0	0	148,799	129,203	0	0	148,799	129,203
2,765	3,065	0	0	5,776	5,920	0	0	5,776	5,920
0	0	0	0	−36,731	−40,186	0	0	−36,731	−40,186
52,872	**53,616**	**45,054**	**41,138**	**606,973**	**588,190**	**−3,306**	**−4,337**	**603,667**	**583,852**
2,782,507	**2,622,605**	**45,054**	**41,138**	**5,433,902**	**5,173,160**	**−3,306**	**−4,337**	**5,430,596**	**5,168,823**
								649,366	**613,969**
								6,079,962	**5,782,792**

The balance sheet data continues to be provided here for reasons of consistency, even though it is not directly covered by internal management.

It is not necessary to reconcile internal management data with the carrying amounts and values in the consolidated financial statements because the Group is managed on the basis of the HGB figures. The segment data is presented after consolidation of internal transactions within each business line. Reconciliation with the figure for the Group is based on the amounts stated in the 'Consolidation' column. Intersegment gains and losses on investments from sources within the Group (e.g. income from equity investments) are retained in the segments and then eliminated later in the 'Consolidation' column.

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

Segment Reporting – Income Statement by Class of Insurance

(€'000)	Legal insurance		Casualty and property insurance	
	2022	2021	2022	2021
Underwriting income				
Gross premiums written	**1,345,182**	**1,258,480**	**308,138**	**274,526**
Direct insurance business	1,048,430	975,441	292,957	260,651
Inward reinsurance business	296,751	283,039	15,181	13,874
Reinsurance premiums ceded	–821	–814	–11,965	–11,254
Change in net unearned premiums	–12,989	–16,270	–1,815	–1,308
Premiums earned net of reinsurance	**1,331,372**	**1,241,396**	**294,358**	**261,963**
Premiums from the gross provision for bonuses and rebates	0	0	0	0
Investment income allocated to the underwriting account	0	0	134	128
Miscellaneous underwriting income net of reinsurance	1,450	1,495	463	436
Total underwriting income	**1,332,822**	**1,242,891**	**294,955**	**262,527**
Underwriting expenses				
Claims incurred net of reinsurance	–630,317	–616,841	–158,571	–136,005
Change in sundry net technical provisions	–131	21	–24	69
Expenses for bonuses and rebates	0	0	0	0
of which performance-based	0	0	0	0
of which non-performance-based	0	0	0	0
Insurance business operating expenses	–560,158	–533,088	–125,665	–114,233
of which front-end fees	–130,841	–124,316	–49,696	–39,171
of which administrative expenses	–429,317	–408,772	–77,425	–75,973
of which reinsurers' share	0	0	1,455	911
Investment expenses allocated to the underwriting account	0	0	0	0
Miscellaneous underwriting expenses net of reinsurance	0	0	–1,982	–1,864
Total underwriting expenses	**–1,190,606**	**–1,149,908**	**–286,243**	**–252,032**
Subtotal	**142,216**	**92,983**	**8,713**	**10,495**
Change in the equalization provision and similar provisions	–17,540	–11,371	–2,056	3,891
Underwriting result net of reinsurance	**124,675**	**81,612**	**6,657**	**14,386**
Income from investments	94,103	100,607	9,781	8,711
Expenses for investments	–61,853	–28,595	–7,970	–5,194
Gains and losses on investments	**32,250**	**72,011**	**1,811**	**3,518**
Gains and losses on investments assigned to the underwriting account	0	0	0	0
Market fees for goods and services provided by non-insurance companies	0	0	0	0
Cost of goods and services provided by non-insurance companies to generate market fees	0	0	0	0
Gross profit	**0**	**0**	**0**	**0**
Other income	28,019	25,290	2,502	3,377
Other expenses	–78,591	–69,760	–7,012	–7,295
Other net income/expense	**–50,572**	**–44,470**	**–4,510**	**–3,918**
Profit/loss from ordinary activities	**106,353**	**109,153**	**3,958**	**13,986**
Net extraordinary income/expense	**0**	**0**	**0**	**0**
Profit/loss before tax	**106,353**	**109,153**	**3,958**	**13,986**
Tax expense				
Net income for the year				
of which non-controlling interests				

Health insurance		Services and asset management		Total		Consolidation		Group total	
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
546,072	**484,429**	**0**	**0**	**2,199,392**	**2,017,435**	**0**	**0**	**2,199,392**	**2,017,435**
546,072	484,429	0	0	1,887,459	1,720,522	0	0	1,887,459	1,720,522
0	0	0	0	311,933	296,913	0	0	311,933	296,913
–349	–275	0	0	–13,135	–12,344	0	0	–13,135	–12,344
–1,054	–835	0	0	–15,858	–18,413	0	0	–15,858	–18,413
544,669	**483,319**	**0**	**0**	**2,170,399**	**1,986,677**	**0**	**0**	**2,170,399**	**1,986,677**
4,511	5,459	0	0	4,511	5,459	0	0	4,511	5,459
82,095	66,316	0	0	82,229	66,444	0	0	82,229	66,444
17,817	19,382	0	0	19,730	21,313	0	0	19,730	21,313
649,092	**574,475**	**0**	**0**	**2,276,869**	**2,079,893**	**0**	**0**	**2,276,869**	**2,079,893**
–301,040	–274,163	0	0	–1,089,929	–1,027,008	0	0	–1,089,929	–1,027,008
–145,703	–123,214	0	0	–145,857	–123,124	0	0	–145,857	–123,124
–34,722	–38,684	0	0	–34,722	–38,684	0	0	–34,722	–38,684
–34,707	–38,670	0	0	–34,707	–38,670	0	0	–34,707	–38,670
–15	–14	0	0	–15	–14	0	0	–15	–14
–105,561	–97,375	0	0	–791,384	–744,696	0	0	–791,384	–744,696
–93,445	–85,968	0	0	–273,983	–249,454	0	0	–273,983	–249,454
–12,164	–11,523	0	0	–518,905	–496,268	0	0	–518,905	–496,268
49	116	0	0	1,504	1,027	0	0	1,504	1,027
–34,084	–14,988	0	0	–34,084	–14,988	0	0	–34,084	–14,988
–1,555	–3,840	0	0	–3,537	–5,703	0	0	–3,537	–5,703
–622,664	**–552,263**	**0**	**0**	**–2,099,513**	**–1,954,203**	**0**	**0**	**–2,099,513**	**–1,954,203**
26,428	**22,212**	**0**	**0**	**177,356**	**125,690**	**0**	**0**	**177,356**	**125,690**
0	0	0	0	–19,596	–7,480	0	0	–19,596	–7,480
26,428	**22,212**	**0**	**0**	**157,760**	**118,210**	**0**	**0**	**157,760**	**118,210**
82,095	66,316	61,982	50,547	247,961	226,181	–97,271	–94,791	150,690	131,390
–34,084	–14,988	–2,207	–3,211	–106,114	–51,988	7,435	909	–98,679	–51,079
48,012	**51,328**	**59,775**	**47,336**	**141,847**	**174,193**	**–89,836**	**–93,882**	**52,011**	**80,311**
–48,012	–51,328	0	0	–48,012	–51,328	0	0	–48,012	–51,328
0	0	88,150	72,415	88,150	72,415	–46,614	–47,278	41,536	25,137
0	0	–87,729	–71,560	–87,729	–71,560	46,614	47,278	–41,116	–24,282
0	**0**	**420**	**855**	**420**	**855**	**0**	**0**	**420**	**855**
1,854	1,274	1,098	1,947	33,473	31,888	–1,041	–2,093	32,432	29,795
–6,512	–6,810	–5,099	–4,528	–97,214	–88,392	–110	–2,723	–97,325	–91,115
–4,658	**–5,536**	**–4,001**	**–2,581**	**–63,741**	**–56,504**	**–1,151**	**–4,816**	**–64,892**	**–61,320**
21,770	**16,677**	**56,194**	**45,610**	**188,275**	**185,426**	**–90,987**	**–98,698**	**97,288**	**86,728**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
21,770	**16,677**	**56,194**	**45,610**	**188,275**	**185,426**	**–90,987**	**–98,698**	**97,288**	**86,728**
								–53,752	–48,875
								43,536	**37,852**
								–737	–773

Segment Reporting – Income Statement by German and International Business

(€'000)

Underwriting income
Gross premiums written
Direct insurance business
Inward reinsurance business
Reinsurance premiums ceded
Change in net unearned premiums
Premiums earned net of reinsurance
Premiums from the gross provision for bonuses and rebates
Investment income allocated to the underwriting account
Miscellaneous underwriting income net of reinsurance
Total underwriting income
Underwriting expenses
Claims incurred net of reinsurance
Change in sundry net technical provisions
Expenses for bonuses and rebates
of which performance-based
of which non-performance-based
Insurance business operating expenses
of which front-end fees
of which administrative expenses
of which reinsurers' share
Investment expenses allocated to the underwriting account
Miscellaneous underwriting expenses net of reinsurance
Total underwriting expenses
Subtotal
Change in the equalization provision and similar provisions
Underwriting result net of reinsurance
Income from investments
Expenses for investments
Gains and losses on investments
Gains and losses on investments assigned to the underwriting account
Market fees for goods and services provided by non-insurance companies
Cost of goods and services provided by non-insurance companies to generate market fees
Gross profit
Other income
Other expenses
Other net income/expense
Profit/loss from ordinary activities
Net extraordinary income/expense
Profit/loss before tax
Tax expense
Net income for the year
of which non-controlling interests

German		International		Total		Consolidation		Group total	
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
1,292,167	**1,193,807**	**907,225**	**823,628**	**2,199,392**	**2,017,435**	**0**	**0**	**2,199,392**	**2,017,435**
1,242,813	1,148,659	644,646	571,863	1,887,459	1,720,522	0	0	1,887,459	1,720,522
49,354	45,148	262,579	251,765	311,933	296,913	0	0	311,933	296,913
–12,521	–11,636	–613	–708	–13,135	–12,344	0	0	–13,135	–12,344
–7,119	–7,190	–8,739	–11,223	–15,858	–18,413	0	0	–15,858	–18,413
1,272,527	**1,174,980**	**897,872**	**811,697**	**2,170,399**	**1,986,677**	**0**	**0**	**2,170,399**	**1,986,677**
4,511	5,459	0	0	4,511	5,459	0	0	4,511	5,459
82,229	66,444	0	0	82,229	66,444	0	0	82,229	66,444
19,318	20,877	412	435	19,730	21,313	0	0	19,730	21,313
1,378,585	**1,267,761**	**898,284**	**812,132**	**2,276,869**	**2,079,893**	**0**	**0**	**2,276,869**	**2,079,893**
–723,832	–708,501	–366,096	–318,508	–1,089,929	–1,027,008	0	0	–1,089,929	–1,027,008
–145,744	–123,167	–113	43	–145,857	–123,124	0	0	–145,857	–123,124
–34,722	–38,684	0	0	–34,722	–38,684	0	0	–34,722	–38,684
–34,707	–38,670	0	0	–34,707	–38,670	0	0	–34,707	–38,670
–15	–14	0	0	–15	–14	0	0	–15	–14
–394,783	–370,816	–396,601	–373,880	–791,384	–744,696	0	0	–791,384	–744,696
–191,091	–181,525	–82,892	–67,930	–273,983	–249,454	0	0	–273,983	–249,454
–205,196	–190,318	–313,709	–305,950	–518,905	–496,268	0	0	–518,905	–496,268
1,504	1,027	0	0	1,504	1,027	0	0	1,504	1,027
–34,084	–14,988	0	0	–34,084	–14,988	0	0	–34,084	–14,988
–3,537	–5,703	0	0	–3,537	–5,703	0	0	–3,537	–5,703
–1,336,703	**–1,261,858**	**–762,810**	**–692,345**	**–2,099,513**	**–1,954,203**	**0**	**0**	**–2,099,513**	**–1,954,203**
41,882	**5,902**	**135,474**	**119,788**	**177,356**	**125,690**	**0**	**0**	**177,356**	**125,690**
–6,762	2,095	–12,834	–9,575	–19,596	–7,480	0	0	–19,596	–7,480
35,120	**7,997**	**122,640**	**110,213**	**157,760**	**118,210**	**0**	**0**	**157,760**	**118,210**
225,227	204,430	22,733	21,751	247,961	226,181	–97,271	–94,791	150,690	131,390
–84,336	–41,043	–21,778	–10,945	–106,114	–51,988	7,435	909	–98,679	–51,079
140,892	**163,387**	**955**	**10,806**	**141,847**	**174,193**	**–89,836**	**–93,882**	**52,011**	**80,311**
–48,012	–51,328	0	0	–48,012	–51,328	0	0	–48,012	–51,328
88,150	72,415	0	0	88,150	72,415	–46,614	–47,278	41,536	25,137
–87,729	–71,560	0	0	–87,729	–71,560	46,614	47,278	–41,116	–24,282
420	**855**	**0**	**0**	**420**	**855**	**0**	**0**	**420**	**855**
29,033	24,439	4,440	7,449	33,473	31,888	–1,041	–2,093	32,432	29,795
–81,130	–78,446	–16,084	–9,946	–97,214	–88,392	–110	–2,723	–97,325	–91,115
–52,097	**–54,007**	**–11,644**	**–2,497**	**–63,741**	**–56,504**	**–1,151**	**–4,816**	**–64,892**	**–61,320**
76,324	**66,905**	**111,951**	**118,521**	**188,275**	**185,426**	**–90,987**	**–98,698**	**97,288**	**86,728**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
76,324	**66,905**	**111,951**	**118,521**	**188,275**	**185,426**	**–90,987**	**–98,698**	**97,288**	**86,728**
								–53,752	–48,875
								43,536	**37,852**
								–737	–773

Independent Auditor's Report[1)]

To ARAG Holding SE, Düsseldorf

Opinions

We have audited the consolidated financial statements of ARAG Holding SE, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2022, the consolidated income statement, the statement of changes in group equity, the consolidated cash flow statement, and the Group's segment reporting for the financial year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of the accounting policies. In addition, we have audited the group management report of ARAG Holding SE for the financial year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of those parts of the group management report specified in the 'Other information' section of our auditor's report.

In our opinion, based on the findings of our audit:

- The accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and, in compliance with German accepted accounting principles, give a true and fair view of the net assets and financial position of the Group as of December 31, 2022 and of its results of operations for the financial year from January 1 to December 31, 2022, and
- The accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report specified in the 'Other information' section.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the propriety of the consolidated financial statements and group management report.

[1)] Note: This is a translation of the German original. Solely the original text in German is authoritative.

Basis for the opinions

We conducted our audit of the consolidated financial statements and group management report in accordance with section 317 HGB and in compliance with the German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility under these requirements and principles is described in more detail in the 'Responsibility of the auditor for the audit of the consolidated financial statements and group management report' section of our auditor's report. We are independent of the Group entities pursuant to the requirements of German commercial law and the rules governing our profession and we have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and group management report.

Other information

The Management Board and Supervisory Board are responsible for the other information. The other information comprises the following components of the group management report whose content has not been audited:

- The separate non-financial group report, which is referenced in the group management report and is likely to be made available to us after the date of this auditor's report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the disclosures in the group management report whose content has been audited, or our related auditor's report.

Our opinions on the consolidated financial statements and group management report do not cover the other information. We do not therefore express an opinion or any other form of assurance conclusion on this information.

In connection with our audit, our responsibility is to read the aforementioned other information and to consider whether the other information:

- Is materially inconsistent with the consolidated financial statements, the disclosures in the group management report whose content has been audited, or the knowledge that we obtained during the audit, or
- Otherwise appears to be materially misstated.

Responsibility of the Management Board and Supervisory Board for the consolidated financial statements and group management report

The Management Board is responsible for preparing consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that, in compliance with German accepted accounting principles, give a true and fair view of the net assets, financial position, and results of operations of the Group. In addition, the Management Board is responsible for the internal controls that it, in compliance with German accepted accounting principles, considers necessary for the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

When preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. It is also responsible for disclosing matters relating to the Group's continuation as a going concern, where pertinent. In addition, it is responsible for financial reporting based on the going concern basis of accounting, unless there are actual or legal circumstances that preclude this.

Furthermore, the Management Board is responsible for preparing a group management report that, as a whole, provides an appropriate view of the Group's position, is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) that it considers necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the financial reporting process used by the Group to prepare the consolidated financial statements and group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the audit findings, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, and to issue an auditor's report containing our opinions on the consolidated financial statements and group management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with section 317 HGB and in compliance with the German generally accepted standards for the auditing of financial statements promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements, whether due to fraud or error, in the consolidated financial statements and group management report, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of the internal control system that is relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of the accounting policies used by the Management Board and the reasonableness of the estimates made by the Management Board and related disclosures.
- Draw conclusions about the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and group management report or, if such disclosures are not appropriate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to a situation in which the Group is no longer able to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that, in compliance with German accepted accounting principles, gives a true and fair view of the net assets, financial position, and results of operations of the Group.
- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and group management report. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- Assess the consistency of the group management report with the consolidated financial statements, its conformity with the law, and the view that it provides of the Group's position.
- Conduct audit procedures in respect of forward-looking statements made by the Management Board in the group management report. On the basis of sufficient appropriate audit evidence, we examine, in particular, the significant assumptions underlying the Management Board's forward-looking statements and assess whether these statements have been correctly derived from these assumptions. We do not express a specific opinion on the forward-looking statements or on the underlying assumptions. There is a substantial unavoidable risk of material discrepancies between future events and the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

Cologne, April 27, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klitsch
Wirtschaftsprüfer
(German Public Auditor)

Bramkamp
Wirtschaftsprüfer
(German Public Auditor)

Report of the Supervisory Board

In the year under review, the Supervisory Board carried out the tasks required of it by law, the articles of incorporation, and rules of procedure and continually monitored and advised the Management Board with regard to its running of the Company. The Management Board provided the Supervisory Board with regular, timely, and comprehensive written and oral reports on the economic situation and the performance of the Company and its subsidiaries, business policy going forward, corporate planning, the risk situation, risk management, and significant individual transactions. The Management Board explained variances between the actual course of business and plans and targets individually, and these were noted by the Supervisory Board. Where management action required the approval of the Supervisory Board by law or other regulations, the Supervisory Board received detailed written information on the matter from the Management Board. The Supervisory Board discussed these reports extensively at its meetings, deliberated on them with the Management Board, and made the necessary decisions. The Supervisory Board was involved in decisions of fundamental importance to the Company.

The Supervisory Board held five ordinary meetings last year, at which it was able to satisfy itself that the Management Board was running the Company properly and appropriately. Strict hygiene protocols, including mandatory testing, were adhered to at all meetings where the Supervisory Board met in person. A written procedure was used to make a decision on an investment in a promissory note.

The Supervisory Board also received detailed information between meetings on plans and developments of particular importance or urgency to the Company. At the meetings, the Management Board agreed the Company's strategic direction with the Supervisory Board. Progress on implementing the strategy was regularly discussed in the meetings. The main topics deliberated on during the Supervisory Board meetings included up-to-date reports on the consequences of the COVID-19 pandemic for the investee company ARAG SE and its subsidiaries, the impact of the war in Ukraine (particularly on investments and including compliance with sanctions), the performance of the international branches and Group companies, monitoring to ensure adequate IT security, the sustainability of the business operations of the first-tier and second-tier subsidiaries, and the general capital market environment. The Supervisory Board was also regularly informed of the content and scope of internal audits.

The Supervisory Board also regularly received explanations regarding risk reporting from the Management Board and discussed the risk strategy and the corporate strategy.

Finally, the Supervisory Board held its regular discussion on the appropriateness of the Management Board's remuneration. The planning for the professional development of the Management Board and the Supervisory Board was also covered at the meetings. The Supervisory Board discussed the reappointment of a Management Board member and adopted the necessary resolutions.

No special monitoring measures were required last year. The Supervisory Board believes that the Management Board manages the business lawfully, properly, and appropriately. In particular, the Management Board fulfills its duty of care regarding the Company's continued existence and long-term profitability.

The Supervisory Board reviewed the Company's single-entity financial statements, the consolidated financial statements, and the group management report. To do so, it exercised its powers pursuant to section 111 (2) of the German Stock Corporation Act (AktG) including, but not limited to, inspecting the books and papers of the Company. The review was conducted on the basis of the regular written and oral reports from the Management Board about the business situation and all major transactions and on the basis of the commercial-law accounting regulations. The scope of the review of all financial statements also covered the accounting options exercised by the Management Board. The findings of the review were as follows:

The Management Board's financial reporting complies with the legal requirements and the provisions in the articles of incorporation. The management report is consistent with the financial statements.

The accounting policy decisions that were made on a discretionary basis were exercised for the benefit of the Company and the Group and took shareholders' interests into account to an appropriate degree.

On behalf of the Supervisory Board, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, audited the Company's single-entity financial statements and the consolidated financial statements for the year ended December 31, 2022, including the bookkeeping system and the group management report, and issued an unqualified opinion. The auditor's report was presented to the Supervisory Board on time. Having studied the report and on the basis of its own final review, the Supervisory Board agrees with the auditor's opinion. It has no comments to make about the auditor's report.

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

The Supervisory Board also discussed the non-financial statement prepared by the Management Board for ARAG Holding SE and the Group for the period ended December 31, 2022. An auditing firm reviewed this statement to provide the Supervisory Board with limited assurance and expressed an unmodified conclusion. At the meetings, the Management Board explained the documents in detail; the representatives of the auditing firm reported on the main findings of their review and answered additional questions from the members of the Supervisory Board. The Supervisory Board did not express any reservations on completion of its own review.

Düsseldorf, April 28, 2023

ARAG Holding SE

The Supervisory Board

Gerd Peskes (Chairman)	Dr. Tobias Bürgers (Deputy Chairman)

Professor Emeritus Dr. Brigitte Grass

Further Information

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

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You can find the latest **information about the Group and our products** on our website: **www.ARAG.com**

Figures in this annual report are rounded, which may give rise to differences of +/- one unit (currency, percent) in some computations.

Credits

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