

Annual press conference
ARAG Group
Statement Dr. Renko Dirksen
Düsseldorf, May 17, 2023
(The spoken word applies)

Good morning, ladies and gentlemen,

We are glad that you have accepted our invitation to come to Düsseldorf. We warmly welcome you all to the ARAG Group's Annual Press Conference on fiscal year 2022. The ARAG management team appreciates personal exchange with you. That is why we are somewhat old-fashioned and offer this conference only in presence, although we know that we could significantly increase our reach with a hybrid event. However, we are convinced that talking to you is about more than just providing information. You also want to know “what makes us tick”, and that requires a direct exchange. Today, you will also have the opportunity to meet Dr. Shiva Meyer in person, who joined our management team at the beginning of April as the successor to Dr. Werenfried Wendler.

Let's get down to business: The year 2022 has made an already very complex world situation even more complex. As if under a magnifying glass, the tasks facing us all in the future emerged clearly last year: the limits of globalization, growing pressure to act on climate change and the dramatic change in the geostrategic context also determine our actions. It is less interesting what conclusions ARAG draws from this, but rather how our nearly 12 million customers react to it.

This confirms the trend we explained to you a year ago. Consumers continue to show a high need for insurance, focused on the areas of work, home and health. The ARAG Group supports them in particular through legal insurance and health insurance. The strong demand in the market is very clearly reflected in the business performance in 2022.

I. Business performance 2022:
ARAG Group with dynamic growth

Let's get straight to the key points of the last fiscal year:

- The ARAG Group again showed strong growth at 9 percent
- In the German market, our revenue increased by 8.2 percent
- German legal insurance business showed premium growth of a good 6 percent
- International legal insurance business delivered 7.5 percent more premium
- Health insurance business again grew strongly by 12.7 percent
- On balance, we gained more than 90,000 new customers in Germany
- The underwriting result improved again by 33.5 percent

The company thus once again showed itself to be in very good shape. All units of the Group are working with full commitment to optimally serve the rapidly growing number of customers. In doing so, ARAG continues to act as a very well-coordinated team – both nationally and internationally. We would like to take this opportunity to thank our ambitious and highly committed colleagues. Without them, the development of the past years would not have been possible. We are extremely proud of them.

Overall, the premium income of the **ARAG Group** amounted to a **good € 2.2 billion**. This corresponds to growth of € 182 million or 9 percent compared with the previous year (€ 2.01 billion). Including non-insurance business, we generated premiums and revenues of € 2.24 billion. Strong growth impulses ran through virtually all units. The increase in premiums is based on a genuine business expansion and not on inflation effects. General price increases will only be reflected in business with some delay.

Let's take a brief look at business development from a geographic perspective:

In the **German market**, strong demand for legal insurance and health insurance continued practically unchanged. Premium income amounted to around **€ 1.3 billion, compared with € 1.2 billion in the previous year**. This corresponds to growth of 8.2 percent.

Our in-house competition between national and **international business** was won this time by the international units. They delivered **10 percent more revenue and increased premiums to € 907.2 million** (previous year: € 823.6 million). This corresponds to 41 percent of the Group's premium income. We did particularly well in Spain (+21,4 percent), the Netherlands (+ 6.8 percent), Austria (+ 6.6 percent) and the USA (+ 25.1 percent/€ or 11.5 percent/USD). To tell the whole truth, we also have to report a slight decline in premiums of 0.5 percent in Italy due to the loss of insurance partners.

The development of the Group segments is as follows:

- The **legal insurance segment**, as the core sector of the Group, remains ARAG's major growth engine. Premium income again increased **strongly by 6.9 percent to € 1.34 billion** (previous year: € 1.26 billion). With this premium growth, ARAG has **further expanded its position as the world's leading legal insurance provider**. In 2022, we helped our customers worldwide more than 1.2 million times in claims and consulting cases. In Germany, there were 618,000 cases (previous year: 559,000 claims).
- The strong run of **ARAG Krankenversicherung** continued with growth of **12.7 percent** in the year under review. Premium income amounted to **€ 546 million** (previous year: € 484 million). The growth was again based predominantly on our very successful full-cost rates. Monthly premiums for these tariffs increased by 18.5 percent. Health insurance is now the **largest ARAG business segment in the German market**, ahead of legal insurance.

- The **composite segment** also recorded strong growth, with an **increase of 12.2 percent**. Premium income there rose to **€ 308 million** (previous year: € 274.5 million). The key factor here was high demand in the Spanish travel insurance business, which had practically stagnated during the pandemic.

As you can see: ARAG's premium development is solid in all segments. This reflects our solid business position.

In the **non-financial statement** of the sustainability report, the ratio of **taxonomy-capable insurance benefits** shows an almost unchanged value of **9.4 percent** (previous year: 9.3 percent). It should be noted here that our legal insurance business and health insurance business are not considered taxonomy-eligible insurance benefits by type of life. The value of **taxonomy-eligible investments increased from 8.3 percent to 14.5 percent**. The reason for this increase is primarily the significantly improved data quality for the corresponding valuation of assets.

ARAG with strong earnings growth despite weak capital markets

As in previous years, ARAG is flanking its growth with a very robust earnings situation. The year 2022 marks an important milestone in this regard. For the first time in the history of the Company, ARAG was not only able to completely "tuck away" a weak capital market development. We have even significantly increased the Group's results. As already mentioned in December, this reflects the success of our business policy over the past 20 years. At that time, the Group began to structure its **actuarial practice** in such a way as to make ARAG more independent of the whims of the financial markets.

The **underwriting result improved strongly by 33.5 percent to just under € 158 million**. The previous year's figure of € 118 million was already a record, which we visibly exceeded in 2022. This figure already includes an allocation of € 19.6 million to the equalization reserve. The **legal insurance segment** continues to make the highest profit contributions, with an **underwriting profit of € 124.7 million** (previous year: € 81.6 million). The **combined ratio** of the Group fell noticeably from 89.2 percent to **86.7 percent**. Nevertheless, we continued to invest in personnel, processes, and technology in the reporting year. Operating expenses increased accordingly from € 744.7 million to € 791.4 million. The number of our **employees increased to 4,760** (previous year: 4,680). We created most of the new jobs in health insurance and in the international units. **Losses and loss expenses** in the Group also increased due to the expansion of business and amounted to **€ 1.09 billion** (previous year: € 1.03 billion).

As a result of the aforementioned developments on the financial markets, **net investment income was clearly lower, falling to € 52 million** (previous year: € 80.3 million).

Our very good technical results more than compensated for this decline. The result from **ordinary activities was € 97.3 million, 12.2 percent above the previous year's figure** (€ 86.7 million).

Our key figures show: Business is going well. We are meeting the needs of our customers. This is not just a one-off success but applies to the entire company and all its segments. We are in control of our business. ARAG is growing dynamically, while at the same time improving its earnings and using the profits to invest in personnel and technology and to strengthen its solvency. We think that this is a good business policy for an insurer.

II. Outlook

We are now in mid-May, and fiscal year 2022 has long since passed. For you and for us, it is much more exciting to find out whether ARAG can continue to maintain its very high headline figures of recent years. The 1st quarter of 2023 delivered another very good start to the year for us. Premium income in the 1st quarter once again rose significantly – by **11.5 percent to € 712.3 million** (previous year: € 638 million). Our business in Germany continues to show pace, growing by 9.5 percent. **Health insurance** got off to a particularly good start, growing by **16 percent** – followed by our **international business, which grew by 14.4 percent**.

Experience shows: When companies are doing really well, it pays to be very alert. Misjudgments are always made by management when the figures are right. That is why it is enormously important for the ARAG management team to ensure the successes of the future today. In December, we presented and explained our **ARAG 5►30** program for the future. In it, we defined five central fields of action on which we will focus our work until 2030. Just a quick reminder:

- **Essential Growth:** By 2030, the Group is to grow to € 3 billion and increase its substantial value by € 1 billion
- **Winning Spirit:** We aim to maintain a high level of employee satisfaction while strengthening our performance culture and diversity within the company
- **Embracing Clients:** We aim to further increase the proportion of our very satisfied customers. Here we rely on our innovative spirit in products and services
- **Driving Purpose:** We capitalize on the "S" in ESG by offering easy access to the justice worldwide. At the same time, we are significantly reducing the CO2 intensity of our investments and our company locations
- **Smart Insurer:** We are fully committed to the principle of "Digital by Default". To this end, we plan all processes to be fundamentally digital and will clearly strengthen the use of AI

ARAG 5►30 is our response to a new phase of global uncertainty. We have deliberately decided against taking a sighted approach – as other companies

might do. **Particularly in difficult times, it is necessary to set a clear course.** The prerequisite for this is to be convinced of ARAG's performance and potential. That is what we are.

Our business model is 88 years old, but it is now more relevant than ever. If legal insurance did not exist, it would have to be invented today. After all, the sustainable transformation of the economy and society can only be **successful on the basis of social and political stability**. Here we have a responsibility to make **new risks manageable for every consumer**. As the **world's leading legal insurer, we are already making an important contribution to ensuring equal opportunities and broad access to justice**. As I said, we capitalize the "S" in ESG. We strengthen **consumer rights in the essential areas of work, housing, health, education and participation, equal treatment, and personal protection – both analog and digital**. Legal insurance is a **highly effective** tool for giving **consumers a direct influence on sustainable transformation processes**.

Against this background, too, we are campaigning in Germany for **liberalization of the strictly regulated legal representation of interests**. We need simpler options for out-of-court legal advice. The **traditional focus on the legal profession** as the exclusive access to justice no longer has anything to do with the **reality of people's lives**. Consumers are interested in **quick, inexpensive and convenient solutions to their problems**. This has been the development principle of modern service societies for decades, and this need extends to virtually all areas of life. If **access to justice** becomes **further detached from this reality of life, then more is at stake than a carefully guarded lawyer's monopoly** – then the citizens' **acceptance of the rule of law is at stake**.

A **key approach to solving this problem is to promote low-threshold services** for clarifying legal problems. Digital solutions through **legal tech applications** play a **particularly important role** here. They can provide impulses for simplifying pre- and out-of-court legal advice. It is not for nothing that we are continuing to implement our **Smart Insurer idea** with all our energy in **ARAG 5►30**. So, we remain true to our motto that we see digitization as a stroke of luck and not as a threat. Here, we are already relying on customer-oriented AI solutions and simply trying them out. We are convinced that we will benefit from the dynamic development of AI-supported systems. Just as is currently the case with our bot applications. Today, our departments simply develop bots themselves in a decentralized manner. This takes just a few days. We currently use **27 different bots** for our customers, **both nationally and internationally**. They predominantly help with legal orientation – outside Germany, they also provide advice. We are gaining important experience through these bots. In 2022, services **relating to resignation by employees** (references/overtime payments/termination periods) were the focus in Germany, with 6,700 users. This was followed by the **topic of rent**, which had 1,600 and 3,500 users in Germany and the Netherlands respectively. The

digital service that continues to be the most successful is also our oldest: the ARAG Online Legal Service. This is a do-it-yourself platform for legal documents. It has around 180,000 registered users who created 218,000 documents last year.

Through our digital services, we already offer simple access points for clarifying legal issues. As you can see: **For us, sustainable and digital transformation are two sides of the same coin.** Both future issues can be directly linked under the umbrella of a legal insurance provider. There is enormous potential for development here. This gives us a unique opportunity to give our business **new social relevance and thus new growth prospects.**

This is not an abstract claim: With our **ARAG 5►30** (development) program, we will find our way in a world of open conflicts and crises so that we can fully concentrate on continuing the ARAG success story. We continue to follow our premise of "act, perform, deliver" for our customers. They need us now. That is what we are here for. That is worth every effort for us.

Thank you for your attention. We are looking forward to your questions.