



23 September 2026

NOTICE

AGREED UPON PROCEDURES (AUP) FOR SEGREGATED ACCOUNT AND SEPARATE ACCOUNT GENERAL BUSINESS INSURERS

Implementation of Agreed Upon Procedures for General Business Insurers:

The Agreed Upon Procedures (AUP) apply to both limited purpose and commercial insurers holding general business insurance licences, in accordance with the Guidance Note titled *General Business Insurers with Segregated Accounts and Separate Accounts*.

This document is intended to achieve consistent **application of AUPs by approved auditors**, with support from insurers and insurance managers, to enhance the reliability and transparency of information reported at the Segregated Account/Cell ('cell') level. The procedures outlined are designed to assist users in evaluating specified financial balances and related disclosures through factual procedures **without expressing an audit opinion or conclusion**.

The AUP focuses on procedures over key items attributable to each cell within a Segregated Account Company, as listed below. Emphasis is placed on confirming that collateral and related items are **clearly attributable to individual cells** and are **properly recorded in segregated accounting records**.

The AUPs are intended to be applied in conjunction with the insurer's **statutory financial statements** and specifically support the verification of balances presented in the **Schedule of Segregated Accounts (Schedule)**, which forms an integral part of the statutory financial reporting framework. The procedures are designed to facilitate reconciliation between cell-level records, the general ledger, and the statutory disclosures, thereby strengthening confidence in the accuracy and completeness of reported cell information.

In accordance with supervisory expectations, the AUPs are to be performed by the insurer's **approved auditor** and reported separately from the statutory audit opinion. The AUP report shall be filed concurrently with the annual Statutory Financial Return as a separate attachment.

The Authority has prescribed detailed procedures below, which are subject to either an annual or rotational review schedule. Procedures designated as rotational shall be performed on a rolling

five (5) year cycle, ensuring that each such procedure is performed at least once during that period for each cell.

The procedures set out below are intended to provide approved auditors with a structured guide to the work expected to be performed in connection with the AUP engagement. It is recognised that the specific manner in which procedures are performed may differ between audit firms. However, any such variation should remain consistent with the purpose of the prescribed procedures and should ensure that the objectives of the AUP are appropriately met.

Procedures over the schedule assets and other liabilities, reserves, collateral including LOCs:

<u>Number</u>	<u>Area of Focus</u>	<u>Procedures</u>
1.	Segregated Cells	The following procedures should be performed on an <u>annual basis</u>: • Obtain the trial balance by segregated cells for the reporting period, to confirm the existence and operation of segregated accounting records • Agree the aggregate cell balances to the general ledger and to the Schedule of Segregated Accounts included in the statutory financial statements • Verify that separate accounting records are maintained for each cell, confirming the avoidance of commingling
2.	Reserves	Ensuring that a detailed reconciliation of all cell reserves and general account reserves is prepared, maintained and updated on an annual basis. The following procedures should be performed on an <u>annual basis</u>: • Agree reserve balances by cell to total within the general ledger and to the Schedule of Segregated Accounts, to support statutory disclosure accuracy • Verify that reserves are recorded within the accounting records of the appropriate cell and are not allocated across other cells or to the general account

<u>Number</u>	<u>Area of Focus</u>	<u>Procedures</u>
3.	Collateral	The following procedures should be performed on an <u>annual basis</u>: • Obtain a detailed collateral schedule by cell, including collateral type, custodian, and carrying value • Agree collateral balances to the general ledger and to the Schedule of Segregated Accounts • Verify that collateral assets are held in accounts designated to the relevant cell and are not commingled <u>On the prescribed rotational cycle, the auditors shall:</u> • Agree reported collateral balances to supporting documentation • Inspect governing agreements (including trust deeds, custody agreements, and reinsurance security agreements) to confirm the legal framework supporting the collateral arrangements
4.	Letters of Credit (LOC)	The following procedures should be performed on an <u>annual basis</u>: • Obtain a schedule of all LOCs supporting obligations of each cell • Agree LOC balances to the general ledger and to the Schedule of Segregated Accounts • Review expiration dates and identify LOC that will mature within the next 12 months <u>On the prescribed rotational cycle, the auditors shall:</u> • Inspect governing documentation to confirm that each LOC is issued for the benefit of the relevant cell • Verify that LOCs are not available to meet obligations of other cells or the general account • Compare LOC balances to associated cell liabilities and identify any deficiencies in coverage • Inspect evidence of controls over LOC monitoring, renewal, and amendment processes

Other Requirements

Reporting of Findings

For collateral and funding components identified:

- Document the procedures performed along with the corresponding factual outcomes

Clearly indicate any occurrences where:

- Segregated Account Company attribution was ambiguous
- Supporting documentation was unavailable
- Disclosures were inconsistent with underlying agreements

Tabulation of Segregated Account Company Schedules

The entire Segregated Account Company schedule must be reviewed to assess whether all calculations have been tabulated correctly. This includes re-performing all castings of the schedule to confirm accuracy. These figures should align with the values reported in the statutory financial statements.

Verification of Schedule Inputs

It is essential to check that all drop-down options within the Schedule have been completed.

Cell Deficit Procedures

- The AUP report should confirm cells identified as being in deficit. The amount of deficit should be detailed
- The auditors are requested to confirm that a remediation plan exists for any cells identified as being in deficit

Principal Representative Attestation

- The auditors are requested to confirm that the Principal Representative Attestation has been completed and duly signed by the Principal Representative