



# TERMS OF REFERENCE

## Actuarial Committee



**Terms of Reference: Actuarial Committee**

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**Key Document Summary**

<b>Document Status and Version</b>	Approved – Momentum Group Board – November 2024
<b>Document Owner</b>	Group Company Secretary
<b>Document Location</b>	Momentum Group website

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## 1. INTRODUCTION

- 1.1. The Actuarial Committee (“the Committee”) is constituted as a Committee of the Board of Directors (“the Board”) of Momentum Group Limited and is accountable to the Board.
- 1.2. In the context of this document, “Company” means Momentum Group Limited, its subsidiaries, and all business divisions, collectively also referred to as “Momentum” or “the Group”.
- 1.3. These Terms of Reference are subject to the provisions of the Companies Act, 71 of 2008 (“Companies Act”), the Insurance Act 18 of 2017 (“Insurance Act”), the Company’s Memorandum of Incorporation, King IV Report on Corporate Governance for South Africa 2016 (“King IV”) and any other applicable laws, regulatory and supervisory provisions, corporate governance principles, codes and best practices.
- 1.4. The Committee will set direction and oversee the Actuarial profile of Momentum as a whole by reviewing reports submitted by any executive or other Board Committees as they pertain to actuarial matters within the various businesses and operating structures within Momentum.

## 2. PURPOSE OF THE TERMS OF REFERENCE

- 2.1. The purpose of these Terms of Reference (“ToR”) is to set out the Committee’s scope, role and responsibilities and requirements for its composition and meeting procedures, and to regulate the relationship between the Committee and the Group Head of Actuarial Function (“HAF”).

## 3. AUTHORITY

### 3.1. General

- 3.1.1. The Committee in the fulfilment of its role and responsibilities:
  - (i) Will act in terms of the delegated authority of the Board as recorded in these Terms of Reference.
  - (ii) Has the power to investigate any activity within the scope of these Terms of Reference.
  - (iii) Has the right to obtain independent outside professional expertise and advice to assist with the execution of its duties, subject to following a Board approved process.
  - (iv) Shall make recommendations to the Board that it deems appropriate relating to any area within the ambit of its Terms of Reference where action or improvement is required.
  - (v) May call upon the Chairmen of the other Board Committees, any of the executive directors, heads of control functions, officers, assurance providers, any other member of staff or company secretary to provide it with information.
  - (vi) Has reasonable access to the Company’s records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 3.1.2. The Board has delegated certain responsibilities to this Committee, which authority may be withdrawn or amended by the Board from time to time. The nature of the delegation is as set forth in the role and responsibilities hereunder, and the duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities they have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members with regards to their fiduciary duties and

responsibilities, and they must continue to exercise due care, skill and judgement in accordance with their legal and statutory obligations.

- 3.1.3. The Committee will have an independent oversight role with accountability to the Board. In performing its duties and responsibilities, the Committee will maintain effective working relationships with the Board, members of the Company's Audit Committee, management, and the internal and external assurance providers (specifically with the external auditors).
- 3.1.4. The Committee makes recommendations to the Board for its consideration and final approval relating to the Committees' duties, taking into account the input from executive management.
- 3.1.5. The Committee will not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 3.1.6. The Committee will continue to serve as a committee of the Board for the period required by relevant legislative provisions, if any, or as determined by the Board.

### 3.2. **Mandate In Respect of Subsidiaries**

- 3.2.1. The Actuarial Committee is appointed to act on behalf of Momentum as a whole, except to the extent restricted or precluded by law, or otherwise.
- 3.2.2. The Committee will also, where applicable and in conjunction with the relevant corporate governance structures in place, take up roles and responsibilities in respect of each insurance undertaking of the Group (life or non-life) – either in the role of an overseer, where appropriate governance structures exist, or directly. The degree of involvement of the Committee in the affairs of the various insurance undertakings will be influenced by considerations of materiality. The Committee will specifically consider the robustness and consistency of actuarial principles and methodology applied to Momentum insurance undertakings in and outside South Africa.
- 3.2.3. In principle, the Committee will perform an oversight role in relation to the actuarial functions of the major insurance undertakings within the Group and review the actuarial reports submitted by other subsidiaries (where material) to assess their impact on the Group.

### 3.3. **Sub-Committees and/or Forums**

- 3.3.1. The Committee is mandated and authorised by the Board, without limiting the generality of its authority, to designate a sub-committee of appropriately qualified persons to assist it in discharging its mandate in respect of any particular matter set forth in these Terms of Reference, or in respect of any subsidiary or business or operating structure within Momentum, whether established and operating locally or internationally. In doing so, the Committee may delegate any of its powers to a person or committee of persons but will remain accountable towards its responsibilities as stipulated in these Terms of Reference.
- 3.3.2. In the process of delegation, full cognisance shall be taken of the particular governance structure of Momentum in order to prevent duplication of functions between various Committees as far as possible. Furthermore, proper controls should be in place to ensure that there is no undue concentration of power in the system of delegation.

- 3.3.3. The appointment of sub-committees for subsidiaries does not reduce the accountability of the Committee in relation to the roles and responsibilities set forth herein.

#### 4. COMPOSITION OF THE COMMITTEE

- 4.1. The Committee will comprise of at least three (3) members and will include:
  - 4.1.1. The Chairman, who should not be in an executive function within Momentum or an executive director of the Company and should preferably be an Actuary.
  - 4.1.2. An executive director of the Company, who should also preferably be an Actuary.
  - 4.1.3. At least one (1) other executive or non-executive director of the Company.
- 4.2. The members of the Committee shall be majority non-executive.
- 4.3. The Chairman and members of this Committee shall be appointed by the Board, or its duly mandated Committee. Any change to the composition of the Committee shall be considered and approved by the Board, or its duly mandated Committee.
- 4.4. The Group HAF shall attend Committee meetings on an ex officio basis. Other persons, including HAFs of other insurance undertakings may also be invited to attend Committee meetings, as required by the agenda of each meeting.
- 4.5. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties.
- 4.6. The Group Company Secretary, or his/her nominee, or any other person appointed by the Momentum Group Limited Board, duly mandated Board Committee, or the Actuarial Committee, shall be the secretary to the Committee.

#### 5. ROLE

- 5.1. Committee members who are also Board members will be in a position to impart actuarial expertise effectively to the Board, to enhance the Board's understanding of technical actuarial matters.
- 5.2. The role of the Committee is to:
  - 5.2.1. Act as a sounding board to the Board, the Company's Audit Committee, the Board Risk, Capital and Compliance Committee and the HAF with regard to actuarial and related technical matters.
  - 5.2.2. Assist the Board in discharging its fiduciary duties toward policyholders, shareholders and other stakeholders, by establishing and maintaining an effective actuarial function as required by the Insurance Act.
  - 5.2.3. Assist the HAF in fulfilling his/her professional and statutory duties.
- 5.3. The Committee will give the Board the necessary comfort that the content and recommendations of the HAF's reports to the Board have been properly considered.
- 5.4. The Committee will ensure appropriate oversight over the systems of internal actuarial controls and management of actuarial risks.

## 6. RESPONSIBILITIES

- 6.1. The Committee must perform all the functions necessary to fulfil its role as stated above, including but not limited to the following:
- 6.2. **Actuarial Statements and Reporting:**
  - 6.2.1. Consideration of the statutory and published valuation results of the Company and its insurance undertakings, including the overall methodology and assumptions used to value the assets and liabilities, as well as the overall checks and controls applied by the HAF.
  - 6.2.2. Consideration of the embedded value results of the Company and its insurance undertakings, including the overall methodology and assumptions used in the embedded value calculation, as well as the overall checks and controls applied by the HAF.
  - 6.2.3. Consideration of the projected valuation results over the business planning period, as part of the Own Risk and Solvency Assessment (“ORSA”) process.
  - 6.2.4. Paying particular attention to material complex and/or unusual items; and focusing on areas where considerable actuarial judgment is required.
  - 6.2.5. Review of the external disclosure of the financial soundness valuation results and the embedded value results of the Company and its insurance undertakings, to ensure that the disclosure is true, fair, meaningful and understandable.
  - 6.2.6. Consideration of the capital position of the Company and the insurance undertakings controlled by it.
  - 6.2.7. Consideration of the HAF’s advice with regard to the distribution of surplus by way of bonuses to policyholders, as well as the declaration of profits and dividends to shareholders.
  - 6.2.8. Approval of bonuses to policyholders on behalf of the Board.
  - 6.2.9. The Committee may appoint the HAF to monitor funding levels and declare bonuses on its behalf (for example, in the case of products requiring monthly bonus declarations).
  - 6.2.10. Consideration of the opinion of the HAF on the appropriateness of and impact of assumed future management actions and the effect of risk mitigation instruments.
  - 6.2.11. Approval of management actions on behalf of the insurer as required by the Financial Soundness Standards.
  - 6.2.12. Consideration of reports by the HAF in respect of special arrangements where such reports are required, for example, for unusual regulatory reporting requirements in respect of ring-fenced portfolios.
  - 6.2.13. Consideration of significant actuarial and financial risks and the appropriateness and effectiveness of the management of those risks.
  - 6.2.14. Reviewing the actuarial content of reports to the regulatory authorities, where such review is requested by the HAF.

**6.3. New Products and Product Revisions:**

- 6.3.1. Confirming that the necessary processes and forums are in place to enable the HAF to ensure the actuarial soundness of new products as well as revisions of existing products, with particular emphasis on the soundness of guarantees offered.
- 6.3.2. Ensure that details of the design features and pricing of new products and product revisions are regularly reviewed.

**6.4. External Audit:**

- 6.4.1. Affording external auditors and their actuaries the opportunity to attend Committee meetings and to obtain access to relevant documentation and information.
- 6.4.2. Affording external auditors and their actuaries the opportunity to report on the results of the audit and the review of the actuarial statements.
- 6.4.3. Ensuring that key findings and recommendations made by the external auditors and their actuaries and management's response thereto are taken into consideration by the HAF.

**6.5. Reporting and Accountability:**

- 6.5.1. The Committee's reporting responsibilities shall be to the Board. Reporting shall take place quarterly or as often as is required.
- 6.5.2. Updating the Board and the Company's Audit Committee about the Committee's activities and making appropriate recommendations, where necessary.
- 6.5.3. Ensuring that the Board is aware of matters that may significantly impact the financial condition of the business.
- 6.5.4. Reporting to the Board on any issue of substance on which the Committee cannot reach consensus.
- 6.5.5. The Committee shall express a view annually on the Committee's satisfaction with the performance of the HAF, to the extent prescribed by law.
- 6.5.6. Monitor (with the support of the HAF) that the Actuarial Function is adequately staffed by appropriately qualified and competent persons, who have sufficient authority to perform their roles effectively.
- 6.5.7. The appointment, disciplining and dismissal of the HAF shall, as prescribed by law, be done in consultation with the Board.

**6.6. Other Responsibilities:**

- 6.6.1. Requesting and considering any additional information necessary to fulfil the functions of the Committee.
- 6.6.2. Performing any other functions as requested by the Board, provided that those functions are not management functions.
- 6.6.3. Review the HAF's opinion on the appropriateness of the following policies:



- (i) Asset liability management policy;
  - (ii) Underwriting policy; and
  - (iii) Reinsurance and other forms of risk transfer policy.
- 6.6.4. Review the reporting on the adequacy of reinsurance and other forms of risk transfer arrangements.
- 6.6.5. Evaluation and providing advice to the Board, senior management and other control functions, where relevant, on the Policyholder Investment policy.
- 6.6.6. Reviewing and approval on an annual basis, of the above-mentioned policies on behalf of the Board.
- 6.6.7. Reviewing the insurance risk profile of the Group.

## 7. MEETINGS AND PROCEDURES

### 7.1. Frequency

- 7.1.1. The Committee should hold a minimum of three (3) meetings per year to discharge its duties as set out in these Terms of Reference, other relevant Company documents and applicable policies.
- 7.1.2. A schedule of regular meetings shall be provided to the Committee members at the beginning of the year.
- 7.1.3. Meetings in addition to those scheduled may be held at the request of the Group Chief Executive Officer, Group HAF or other members of the Executive Committee or at the instance of the Board, after consultation with the Chairman of the Committee.
- 7.1.4. Unless varied by this ToR, meetings and proceedings of the Committee will be governed by the Company's Memorandum of Incorporation insofar as it regulates the meetings and proceedings of Committees.
- 7.1.5. A meeting may be conducted by way of electronic media such as video or telephone conferencing.
- 7.1.6. Should the need arise for a decision to be taken by the Committee outside of its meeting cycle, such decision can be taken on a round robin basis, and:
- (i) For a decision to be legitimately taken by round robin procedure, the support of the majority of members (of whom at least half should be non-executive) is required in writing and signed by them (and for the purposes of this procedure, communication per e-mail will be regarded as being in writing). Should a Committee member object to a decision, the remaining members of the Committee must be advised of such objection.
  - (ii) At the Committee meeting following the date of the round robin decision, the Committee Secretary must report on the decision so taken by the Committee.

### 7.2. Attendance

- 7.2.1. Committee members will attend all scheduled meetings of the Committee, including meetings called on an ad hoc basis for special matters, unless prior apology, with reasons, have been submitted to the Chairman or Committee Secretary.

- 7.2.2. If the Chairman of the Committee is absent from a meeting or is not present within 15 minutes of the stipulated time for such meeting, the members present shall elect one (1) of the members present to act as Chairman for that meeting.

### 7.3. **Agenda and Minutes**

- 7.3.1. The Committee shall establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
- 7.3.2. The annual plan should ensure proper coverage of the matters laid out in the Committee ToR. From this plan, the number, timing, and length of meetings, and the agendas will be determined. The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a longer period.
- 7.3.3. The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, together with the supporting documentation, shall be forwarded to each member of the Committee not less than five (5) working days prior to the date of the meeting.
- 7.3.4. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.
- 7.3.5. Members must declare a possible conflict of interest with agenda matter at the beginning of each meeting, and this will be recorded in the meeting minutes by the Committee Secretary.
- 7.3.6. The Chairman is responsible for the smooth running of meetings, ensuring that the views of each member are heard and that sufficient time is devoted to each agenda item.
- 7.3.7. The minutes of meetings shall be completed as soon as possible after the meeting and circulated to the Chairman for review thereof. The minutes will be formally approved by the Committee at its next scheduled meeting.

### 7.4. **Quorum and voting**

- 7.4.1. A quorum for meetings shall be a simple majority of members present, namely 50% (fifty percent) + one (1) member.
- 7.4.2. As granted by the Board (per resolution R12/2020), any individuals who are appointed as members of the Committee, but are not directors of Momentum Group Limited, have full voting rights on the matters to be decided by the Committee.
- 7.4.3. Individuals in attendance at Committee meetings by invitation may participate in discussions at meetings but do not form part of the quorum, and shall have no voting rights where decisions are to be voted on.
- 7.4.4. Wherever possible the Committee will take decisions on a consensus basis. Where consensus cannot be reached, voting shall take place by a show of hands.

## 8. REMUNERATION

- 8.1. Committee members not holding executive office within the Momentum Group shall be compensated for their services, with the Chairman being entitled to an additional fee for his / her services.
- 8.2. Any special and ad hoc meetings will be remunerated as determined by the Board from time to time, and approved by the Shareholders as part of the Momentum Remuneration Policy.

## 9. EVALUATION AND DEVELOPMENT

### 9.1. Evaluation

- 9.1.1. The Board, and each member of the Committee, will perform an evaluation of the effectiveness of the Committee every two years.

### 9.2. Development

- 9.2.1. The Committee Chairman will use the results of the performance evaluation to identify developmental areas of the Committee and/ or individual members.
- 9.2.2. The Committee members must keep up-to-date with developments affecting the required skill-set. All members should attend update training to be arranged by the Committee Secretary.
- 9.2.3. New members are required to have a robust orientation in order to understand the Committee's responsibilities.

## 10. REVIEW

- 10.1. This ToR and annual work plan shall be reviewed by Group Company Secretariat annually or as and when it becomes necessary to do so due to legislative, regulatory and/or other changes. The updated ToR will be submitted for approval by the Committee and the Board.