

6 June 2025

██████████
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Dear ██████████

Hollard Holdings Australia Pty Ltd (HHA) appreciates the opportunity to comment on the Australian Prudential Regulation Authority's (APRA) Governance Review Discussion Paper (the Discussion Paper).

Hollard is a privately owned insurance group with a single shareholder. Hollard has two APRA-licensed insurance entities, namely The Hollard Insurance Company Pty Ltd (HIC) and Hollard Insurance Partners Limited (HIP), in addition to Hollard Holdings Australia Pty Ltd (HHA, the Level 2 NOHC entity) (collectively, 'Hollard'). While our corporate structure comprises multiple entities, all boards and committees meet concurrently under one governance framework, sharing identical membership of six directors, including the Board Chair. Matters specific to individual entities are explicitly identified and managed through clearly structured and documented discussions within these concurrent meetings.

Hollard recognises APRA's goal of strengthening governance standards, including proposals on independence, board composition, tenure limits and broader fit and proper requirements to reflect contemporary governance standards. We also acknowledge that three of the eight proposals include exemptions for entities that are not significant financial institutions (non-SFIs). However, we wish to highlight that the application of uniform governance rules across diverse group structures within the industry can sometimes have unintended consequences.

Our submission seeks a proportionate consideration of APRA's proposals that acknowledges the integrated structure holding a limited number of APRA licensed entities, the alignment in our business model, and the common interests held across entities.

Specifically, we raise issues regarding:

- Standardised independence rules that may be disproportionate for single-shareholder structures.
- Prescribed tenure limits that risk a loss of critical board expertise and stability.
- Proposed requirements could substantially increase governance costs and administrative inefficiency.

In preparing this submission, Hollard has considered the following:

- APRA's Governance Review – Discussion Paper released 6 March 2025 with submissions due 6 June 2025.
- Hollard's meeting with APRA representatives on 17 March 2025.
- APRA meeting with the Insurance Council of Australia (ICA) and its members on 17 April 2025.

We endorse the ICA's positions on proportionality, reducing administrative burden, and the need for an adequate transition period. We also support the ICA's advocacy on the disproportionate impact of Proposals 4 and 8 on insurers with integrated governance models.

While our submission reinforces these broader industry positions, we provide additional detail specific to Hollard's governance structure to help APRA understand the operational implications for entities operating under a unified, single-shareholder framework.

Board Independence and Intra-Group Conflicts

Discussion Paper Proposal 4 stipulates that regulated entities appoint at least two independent non-executive directors, including the chair, who are not members of any other board within the entity's group. We understand this measure is intended to mitigate potential conflicts of interest in group structures.

Hollard's unified governance model features common board composition across HIC, HIP, and HHA, which fosters a deep alignment of interests, including its partner-based model and an effective governance model under our single-shareholder structure. As such, the risks of intra-group conflicts are already mitigated by our unified strategic direction.

Hollard respectfully suggests APRA explicitly clarify that Proposal 4 does not apply where all entities within a group structure are APRA-regulated and have common, consistent ownership.

The rigid application of Proposal 4 in Level 1 insurer and Level 2 insurance group structures may inadvertently introduce operational dysfunction, unnecessary friction, and decreased clarity around accountability. This is particularly relevant given FAR's accountability requirements. Having multiple Chairs within the same group could lead to overlapping operational and governance responsibilities.

Moreover, a strict implementation of Proposal 4 may deter high quality Non-Executive Directors and Chairs from accepting certain board positions, particularly those with significant industry expertise. The proposed requirement would artificially limit their roles and reduce opportunities for meaningful contributions. This could lead to ambiguity in accountability.

Imposing a rigid requirement that directors may not serve on more than one board within the group would compel Hollard to expand its board size and restructure its governance model. This could involve adding up to four additional directors to comply with the proposed independence criteria. Such a change would escalate administrative complexity and costs, ultimately compromising essential board expertise and potentially leading to inefficient operational governance across our Boards.

An industry-wide mandate to expand board size may also diminish the availability of experienced directors, even with robust succession planning in place. We respectfully request that APRA provide flexibility, especially for entities with a single shareholder and integrated operations, by considering transitional relief or alternative mechanisms to address independence that maintain effective oversight without imposing undue burdens.

Overseas examples highlight the importance of flexible governance structures. For instance, while the United Kingdom's Financial Reporting Council's (FRC) Corporate Governance Code recommends that at least half of the board, excluding the chair, be independent non-executive directors, it permits alternative arrangements if companies can demonstrate that such arrangements secure effective oversight and alignment of interests.¹

Director Tenure and Board Renewal

Discussion Paper Proposal 8 would impose a lifetime tenure limit of ten years for non-executive directors at a regulated entity, with a possible two-year extension available on request to APRA in limited and exceptional circumstances. While we recognise the intent behind this proposal to promote regular board renewal and prevent director entrenchment, we are concerned that prescribed life tenure limits may inadvertently destabilise a smaller board's continuity, particularly in the context of a single shareholder structure.

1. Financial Reporting Council. (2020). *UK Corporate Governance Code*. Available at: [FRC UK Corporate Governance Code](#)

Hollard's board undertakes an annual self-evaluation of board performance and a triennial independent external evaluation, which assesses the effectiveness of the whole board and its committees, board dynamics, succession planning, individual director contributions, and performance. An annual skills assessment further informs board renewal considerations.

Imposing a rigid tenure cap risks the premature loss of directors with irreplaceable institutional knowledge and critical subject matter expertise. It may also reduce the board's discretion to manage its composition in response to the evolving needs of the organisation, balancing requisite skills, governance capability, risk oversight and strategic direction.

International governance frameworks provided helpful reference points. The FRC Corporate Governance Code recommends that boards review director tenure and recommends that chairs not serve for more than nine years. However, it stops short of prescribing a rigid tenure limit, opting instead for a "comply or explain" approach that allows for flexibility.² Similarly, the European Commission, recommends a twelve year guideline, with performance evaluation as the key determinant of suitability for continued service.³ APRA's own data indicates only 8 per cent of directors across regulated entities currently serve beyond 12 years.

Accordingly, we recommend that APRA adopt a principles-based and performance driven board renewal model, rather than a prescriptive cap. With timely notification to APRA, this would allow regulated entities to extend a director's tenure beyond ten years, provided that periodic and comprehensive reviews and independent evaluations are conducted with succession planning.

This approach would ensure the board continues to function effectively and that maintaining continuity serves the best interests of the organisation and better supports proportionality, especially for non-SFI insurers.

If APRA nevertheless decides to impose a prescriptive limit, we respectfully request the following safeguards:

- Extensions on a case-by-case basis, where an independent external board review confirms ongoing effectiveness;
- Application only to Independent Non-Executive Directors (INEDs); and
- An exemption of sole-shareholder directors, to preserve the continuity of capital support and strategic alignment.

This reflects the strategic benefit of sustained continuity in shareholder representation on boards, particularly within General Insurance where capital stress scenarios can be more frequent and unpredictable. Consistency in board composition supports strategic alignment and ongoing access to shareholder capital.

Fit and Proper Requirements for Responsible Persons

Discussion Paper Proposal 2 calls for enhanced fit and proper assessments for responsible persons, requiring higher minimum standards and more frequent reassessments. Hollard acknowledges the potential for enhanced efficiency and endorses proposals aimed at reducing overlap between APRA's fit and proper requirements and the FAR.

However, we request further clarity on the specific thresholds or triggers that would necessitate reassessments.

2. Ibid.

3. European Commission. (2013). *Corporate Governance and the Role of Independent Directors*. Available at: [ECODA Report](#)

Director Availability and Cost Implications

Hollard recognises that the proposed changes will substantially increase governance costs. Implementing separate boards or additional independent directors across all group entities would not only increase directorship and administrative expenses but also exacerbate existing challenges in recruiting directors with requisite skills.

In the context of Hollard's governance operations, there are quarterly reporting cycles across five Board Committees, several operating on six cycles annually, in addition to the overarching Board. Should boards and committees be separated to comply with Proposal 4, governance processes would effectively double. This would not only require additional scheduling and oversight but would also lead to substantial increases in ongoing Company Secretary support, board administration, executive and director engagement without delivering any discernible governance benefit.

These structural impacts would redirect resources away from strategic governance and towards compliance driven duplication.

This challenge was highlighted in submissions to the FRC from comparable financial institutions in the UK. The FRC recognises that corporate governance standards should not and cannot be a one-size-fits-all. Governance requirements should align with the organisation's size and complexity, enabling companies to justify any deviations from standard requirements if they can demonstrate that effective governance is maintained.⁴

We respectfully request that APRA adopt a similarly proportionate approach, considering the practical cost implications and the potential for increased director availability challenges, particularly for privately owned insurers like Hollard.

Concluding Remarks

Hollard supports APRA's overarching aim of enhancing governance standards. However, a uniform, prescriptive approach may not be suitable for all entities, particularly those with integrated, single-shareholder models. We respectfully request that APRA:

- Adopt performance-based board renewal in lieu of a hard tenure cap, with APRA oversight through the existing triennial external review process;
- Tailor independence requirements to group structures where conflict risk is demonstrably low, allowing alternative mechanisms rather than compulsory board separation; and
- Streamline Fit and Proper and FAR reporting by harmonising triggers, timeframes, and materiality thresholds.

We appreciate the opportunity to contribute to this important discussion and remain committed to engaging further with APRA and the industry to ensure that prudential standards support both effective governance and operational efficiency.

If you have any questions or comments in relation to our submission, please contact [REDACTED] on [REDACTED] or email [REDACTED]

Yours faithfully

[REDACTED]
[REDACTED] Board Chair
Hollard Holdings Australia Pty Ltd

[REDACTED]
[REDACTED] Chief Executive Officer
Hollard Holdings Australia Pty Ltd

4. Financial Reporting Council. (2020). *UK Corporate Governance Code*.