Insurance Council of Australia

27 August 2026

Zoe Cox
General Manager
Policy and Frameworks
Policy and Advice Division
Australian Prudential Regulation Authority

By email: PolicyDevelopment@apra.gov.au

Dear Ms Cox,

## APRA Governance Review Consultation Paper

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to respond to the Australian Prudential Regulation Authority's (APRA) 'Governance Review Consultation Paper', consulting on draft Prudential Standard CPS 510 Governance (CPS 510).[1]

The Insurance Council is the representative body of Australian general insurers and covers approximately 90 per cent of total premiums written by general insurers and reinsurers. As a foundational component of the Australian economy, general insurers write 90 million policies a year and pay out $58.9 billion in claims.

The Insurance Council continues to support APRA's review of governance requirements and acknowledges the important role corporate governance plays in strengthening risk culture and management. We welcome APRA's engagement with the insurance industry through the policy development process.

We welcome the revision of certain proposals reflecting APRA's consideration of industry feedback, such as the extension of the default director tenure limit from 10 to 12 years, with board-approved extensions up to 12 months in exceptional circumstances, as well as the proposed narrower Responsible Person cohort to help minimise regulatory burden by reducing duplicate Fit and Proper reporting.

The Insurance Council supports the inclusion of guidance in the forthcoming Prudential Practice Guide (CPG 510) to assist entities in complying with the proposed standard.

We have identified areas where clarification and refinement to both CPS 510 and CPG 510 would support industry implementation, as set out in **Appendix A**.

### *Upcoming CPG 510*

We recommend that APRA engage with industry and provide an opportunity to input on the draft CPG 510 prior to its formal release for consultation. This will help ensure the guidance appropriately addresses areas where additional clarity is required, while avoiding overly prescriptive requirements that may unnecessarily constrain Boards and entities in exercising their judgement.

Given the diversity of entity size, structure and complexity across the sector, CPG 510 should provide sufficient flexibility to enable effective and proportionate implementation of the new standard, while maintaining clear expectations.

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[1] Australian Prudential Regulation Authority (APRA) June 2026, 'Governance Review Consultation Paper'.

Insurance Council of Australia

*Fitness and Propriety – removal of reporting*

As APRA has recognised that these reporting requirements largely duplicate information already provided through the Financial Accountability Regime (FAR), there is a critical opportunity to deliver the intended regulatory burden reduction benefits earlier than 1 January 2028 for the broader reforms.

Following finalisation of CPS 510 this year, the Insurance Council recommends APRA bring forward the removal of the Fit and Proper reporting requirements to early 2027. Earlier implementation of this reporting relief would enable entities to realise those burden reduction benefits sooner without compromising APRA's supervisory objectives.

*Conclusion*

We appreciate APRA’s continued engagement with the Insurance Council and our members. We look forward to the consultation on upcoming CPG 510 and welcome any further opportunity to discuss the matters identified in this submission.

If you have any questions related to our submission, please contact me or Leisha Watson, Director Regulatory and Consumer Policy at lwatson@insurancecouncil.com.au.

Yours sincerely,

**Alexandra Hordern**
General Manager, Regulatory and Consumer Policy.

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## Appendix A

| Proposed CPS 510 | Summary of industry feedback |
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| Role of the Board and delegation of authority | Paragraph 15 of draft CPS 510 addresses the interaction between it and other prudential standards that prescribe board approval requirements, such as within CPS 230, CPS 511 and GPS 230. It provides that, where a prudential standard imposes a non-core board obligation, authority to fulfil that obligation may be delegated to a Board committee.<br><br>We would welcome further clarity on how Paragraph 15 is intended to operate in practice alongside these requirements.<br><br>We understand APRA intends to update prudential standards progressively as they come up for review, and that accompanying guidance in CPG 510 will clarify that boards may delegate these responsibilities in appropriate circumstances. However, additional guidance on how entities should apply the delegation framework during the transitional period would be helpful, particularly where existing prudential standards continue to refer to board approval. |
| Board Committees | The current drafting of proposed Paragraph 46 may create uncertainty regarding its application to non-Significant Financial Institutions (SFIs). While non-SFIs are not required to establish a Board Remuneration Committee, proposed Paragraph 46 requires Board Remuneration Committees to consult the Risk Committee and Chief Risk Officer (or equivalent) and follow a documented process to ensure risk outcomes are appropriately reflected in remuneration outcomes. This appears to reflect governance arrangements derived from CPS 511 that were designed for SFIs.<br><br>We request APRA clarify the intended scope of Paragraph 46, including whether it is intended to apply only to SFIs or also to non-SFIs that voluntarily establish a Remuneration Committee. This clarification would help avoid unintended outcomes and provide greater certainty regarding the governance expectations that apply to non-SFIs.<br><br>Proposed Paragraph 38 of draft CPS 510 requires Board Audit, Risk and Remuneration Committees to have at least three members who are also non-executive directors. This removes the current reference in Paragraphs 53 and 83 of the current CPS 510 that requires committee members to be non-executive directors “of the APRA-regulated institution.” Paragraph 39 of draft CPS 510 further requires a majority of committee members to be independent directors and the committee chair to be an independent director.<br><br>We encourage APRA to clarify whether board committee members must be directors of the regulated entity and to provide guidance in CPG 510 on the interaction between the proposed definition of a “non-executive director” in draft CPS 001 and the application of Paragraph 38 in draft CPS 510. Clarification would be helpful on whether a non-executive director of a parent company or another entity within the same group may be appointed to serve on a regulated entity’s Board committee, and how the independence requirements are intended to apply in these circumstances. |
| Board renewal and non-executive director tenure | While we understand tenure will be measured from the date of a director's initial appointment, we would welcome further guidance on the operation of |

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| | the tenure limit during transition to the new framework. It would be helpful to clarify in the CPG 510 APRA's expectations for non-executive directors who will exceed the 12-year tenure limit at commencement, including the process and timing for seeking an extension under proposed Paragraph 60 where an entity considers exceptional circumstances apply, and whether there will be an alternative transitional allowance.<br><br>Further clarity or examples would be particularly useful for insurers with unique ownership or governance structures, or non-SFIs that may face a smaller director pool and limited resourcing. |
| Role of senior managers | Our understanding of the proposed Management Information Policy requirement in Paragraph 20 of draft CPS 510 is that compliance can be met through a suite of existing policies and frameworks, rather than requiring a standalone Management Information Policy.<br><br>We recommend APRA amend Paragraph 20 to refer to documented management information processes, rather than requiring a prescribed Management Information Policy. This would provide entities with flexibility to demonstrate compliance through existing governance, risk and reporting frameworks, while still ensuring appropriate management information is produced, escalated and reported. Such an approach would support the policy intent without creating unnecessary administrative burden or duplicating existing documentation. Accompanying guidance in CPG 510 will be important given that it will be a new requirement for many non-SFIs. |
| Fitness and propriety | *Review requirements*<br><br>We encourage APRA to consider whether annual review of a Fit and Proper Policy is necessary in all circumstances, as a longer review cycle may achieve the same prudential outcome while reducing unnecessary administrative burden.<br><br>*Reassessment of fitness and propriety*<br><br>Paragraph 89(b) of draft CPS 510 requires a reassessment of a Responsible Person's fitness and propriety where there are reasonable grounds to believe they may not meet required standards, including whether they are subject to misconduct allegations. This may require an entity to commence a reassessment before an investigation has concluded, impacting the integrity and procedural fairness of the investigation.<br><br>We encourage APRA to provide guidance on how entities should approach fit and proper reassessments where investigations are ongoing. The proposed Paragraph 89(b) could instead trigger a reassessment where there are reasonable grounds to believe misconduct has occurred, rather than solely based on an allegation. |
| Category C insurers and Senior Officers Outside Australia (SOOA) | We have identified a potential inconsistency in the draft CPS 510 with Section 118 of the Insurance Act 1973 and an unintended consequence we recommend APRA clarify.<br><br>The *Insurance Act 1973* requires foreign insurers operating within Australia's general insurance framework to maintain a duly appointed agent in Australia. The Agent does not need to be a manager, director or employee of the |

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| | relevant entity, and can be a contracted service provider of a foreign general insurer. We note that when the Agent is not an employee of the foreign insurer, it is not possible for the Agent to undertake the Senior Manager responsibilities as outlined in proposed Paragraphs 117 and 118.<br><br>This appears inconsistent with the proposed Paragraph 112 of CPS 510 which requires a foreign ADI to have a Senior Manager in Australia responsible for local operations. Category C insurer's agent in Australia falls under this requirement, treating the agent as a Senior Manager under the definition. The proposed Australian residency requirement for senior managers will raise practical challenges for foreign-owned entities that rely on senior managers employed by offshore parent groups or related entities to provide specialised expertise and support. Individuals within offshore group entities who perform executive functions or provide support to Boards may inadvertently fall within the proposed definition of a Senior Manager.<br><br>The Insurance Council recommends APRA clarify how proposed Paragraphs 112 to 118 are intended to operate in these circumstances, including for Category C insurers that utilise external Agents and foreign-owned entities that rely on offshore group expertise. The Insurance Council also recommends APRA consider introducing a mechanism like Paragraph 41 of CPS 220, allowing entities to propose alternative arrangements where strict compliance with Paragraphs 112 to 118 would not be appropriate for their particular limited circumstances. |
| **Proposed CPG 510** | **Summary of industry feedback** |
| Governance framework | Our understanding is that the governance framework may be evidenced through a range of existing governance documents, rather than a single, standalone framework document. Delegations of authority, board and committee charters, governance policies and corporate governance statements should collectively satisfy the requirement where they operate as an integrated framework. |
| Independence | We recommend that CPG 510 include a non-exhaustive list of examples of evidence relevant to assessing director independence under Paragraph 31, where directors serve on intra-group boards. This includes how structural, funding and remuneration relationships may be considered.<br><br>Proposed Paragraph 31 requires a director's independence to be assessed for each board they sit on. For groups with multiple APRA-regulated entities that share directors and have closely aligned governance arrangements, it would be helpful if CPG 510 clarified how these entities can meet the independence requirements. In particular, guidance on whether independence must be assessed separately for each entity would provide greater certainty.<br><br>While proposed Paragraph 31 also requires independence assessments to consider any actual or potential conflicts arising from intra-group arrangements, Paragraph 32(d) specifically refers to relationships involving material suppliers or customers of another group entity. Given APRA's principles-based approach, it would be helpful for draft CPS 510 or CPG 510 to clarify whether Paragraph 32(d) relates to external customers and suppliers, rather than related parties. This would provide certainty and reduce the need for future interpretation of APRA's intent. |

Insurance Council of Australia

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| Board, Committee and director performance | We encourage APRA to maintain flexibility in how entities monitor progress against review recommendations. Assessments should reflect the nature, materiality and status of individual recommendations, rather than prescriptive or compliance-focused assessment processes. |
| Board skills and capability | CPG 510 could provide practical examples on proficiency measures for entities of different sizes and complexities and clarify how the skills matrix should complement fit and proper assessments. |
| Conflict management | We support APRA's proposal to address perceived conflicts through guidance rather than prescriptive requirements, recognising that directors serving on multiple group boards may remain independent where conflicts are appropriately managed. Practical examples of perceived conflicts and identifying, assessing and managing them would be beneficial. |
| Fitness and propriety | CPG 510 should include practical guidance on conducting fit and proper assessments, including checks for courts, tribunals and regulator findings and guidance for reasonable steps for robust assessment process.<br><br>The CPG 510 should clarify how board skills matrix considerations should be incorporated into fitness and propriety assessments, and how this differs from current practice. This includes guidance on the proportionate application of 'all reasonable steps' and the 'rigorous process' requirement, having regard to role risk, seniority and entity size.<br><br>For overseas directors, we encourage a practical and flexible approach that recognises expertise may be demonstrated through a range of qualifications, accreditations and experience across different jurisdictions. We note that prescriptive educational qualifications risks excluding individuals who have acquired the necessary skills through non-traditional education and career pathways. |