16 June 2025

General Manager
Policy Development
Policy and Advice Division
Australian Prudential Regulation Authority

By email: PolicyDevelopment@apra.gov.au

Dear General Manager,

Re: Governance Review - Discussion Paper – June 2025

Thank you for the opportunity to provide feedback on the Australian Prudential Regulation Authority (APRA) Governance Review Discussion Paper, which contains a series of proposals to strengthen APRA's core prudential standards and guidance on governance.

Teachers Union Health (TUH) is a not-for-profit health fund that has served teachers and other union professionals for over 50 years. We are committed to providing high quality health insurance products and award-winning service for all stages of our members' lives. Our fund is proudly connected to our stakeholders and community.

TUH acknowledges APRA's ongoing commitment to maintaining fit for purpose prudential standards and guidance on governance across regulated industries. We note that the proposals in the discussion paper impact APRA's core prudential standards and guidance on governance.

We also note that the private health insurance industry operates under the *Private Health Insurance Act* (not the *Financial Services Act*), consumers have full portability between funds and funds have short-tail risk profiles. Consequently, the risk profile for the industry is markedly different to other financial service providers and APRA-regulated entities. TUH's response to the discussion paper is intended to reflect this context.

1. Skills and capabilities

TUH supports the general principle of identifying the skills and capabilities for board directors, noting that a mixture of skills and experience provides a good balance for effective oversight and aligns with good governance practices. Nevertheless, in a not-for-profit/member-owned fund, the balance of skills is broad and includes intangible elements such as community and/or stakeholder experience. TUH takes a combined individual and whole-of-board approach to assessing skills and planning for succession, which includes the skills specifically mentioned in APRA's discussion paper as well as other skills and experience. Therefore, TUH **does not support** this proposal.

2. Fitness and propriety

TUH **does not support** these changes. Consistent with the view expressed by the Australian Institute of Company Directors, TUH considers that these proposals over-reach and would undermine a fund's autonomy and accountability to members.

3. Conflicts management

TUH supports clear frameworks and proactive management of conflicts, particularly within member-owned organisations but **does not support** a single cross-industry set of requirements for managing conflicts. The proposed solution is more significant than the problem being addressed, particularly in the private health insurance sector.

4. Independence

TUH supports director independence and acknowledges that companies and industries may have different interpretations of the current requirements. Nevertheless, TUH believes that the regulator already has authority to address concerns directly with entities when they arise.

Further, the proposals are not considered reasonable or proportionate for subsidiary entities, particularly within private health funds. The proposed requirements would significantly impair the efficient functioning of subsidiary boards without any offsetting reduction in risks. TUH therefore suggests that, should the proposal be adopted, a revenue threshold might be appropriate if APRA is aware of significant concerns in large subsidiary entities.

5. Board performance review

TUH **supports** APRA's expectations for ongoing review of boards and notes the differentiation between large entities and non-SFIs. Nevertheless, TUH does not consider APRA's current expectations to be ambiguous in the standard and encourages the regulator to deal with instances at the entity level before changing guidance or standards.

6. Role clarity

TUH **supports** APRA's proposal to provide greater clarity around roles of the board, delegated authority and reliance on/accountability for management performance. The current governance frameworks within an organisation should clearly define a board's interpretation of its governance requirements and non-binding guidance by APRA may further assist boards to focus on matters that are future-focussed, including risk management.

7. Board committees

TUH **supports** APRA's proposal to require all SFIs to have separate audit and risk committees to improve oversight and governance. TUH also acknowledges the concession to rescind the requirement for smaller organisations, noting APRA's commitment to proportionality. TUH has no plans to unwind its current committee structure, including separate audit and risk committees.

8. Director tenure and board renewal

TUH **strongly rejects** the need for APRA to impose the tenure provisions contemplated in Proposal 8. It is considered a key function of the board, particularly as a member-owned fund, to appoint a range of diverse and skilled individuals who can guide and support the strategic direction of the organisation. This may include directors who are well-experienced, especially if they are close to our member base. Diversity at the board table provides opportunities for experienced directors to mentor newer directors as well as new skills and ideas being included in all discussions. TUH is confident that it appropriately manages director renewal without the need for regulatory intervention.

TUH **supports** the concept of robust board renewal processes but considered the proposals contained in the discussion paper to be unduly prescriptive. It is requested that APRA develop more flexible, principles-led guidance that would provide greater clarity and reporting to APRA while not interfering with the key functions and responsibilities of the board.

TUH encourages good governance within our organisation and across the industry. To this end, the fund has a solid governance framework, a culture of accountability and a track record of compliance. The key message from our review of the proposals in the discussion paper is that several of the measures are overly prescriptive, inconsistent with the industry's risk profile and would place unreasonable restrictions on funds with little or no overall benefit. TUH encourages APRA to consider more proportionate and practical flexibility in its prudential standards and associated guidance.

If you would like to discuss our submission further, please contact [redacted], Executive Manager Strategy and Finance at:

[redacted]

Yours sincerely

[redacted]

Company Secretary