GREATER ACCESS TO CONCESSIONAL INSURANCE FOR VETERANS & CURRENT SERVING AUSTRALIAN DEFENCE FORCE MEMBERS

Regulation Impact Statement

Abstract

Expanding eligibility of the Defence Service Homes Insurance (DSHI) Scheme to all current and former Australian Defence Force members with at least one day of service in recognition of their service and sacrifice to our nation.

1. Introduction

The Department of Veterans' Affairs (DVA) delivers government programs for war veterans, members of the Australian Defence Force (ADF), members of the Australian Federal Police and their dependants. Its mission is to support those who serve or have served in the defence of our nation and commemorate their service and sacrifice.

The Defence Service Homes Insurance Scheme (the Scheme) is government-owned and is administered by DVA. The Scheme is the only insurance scheme of its type offered by the Australian Government. It is a benefit that has been supported for 100 years. It is completely self-funded through premiums, investment returns and commission received from the sale of QBE insurance products. Since its inception, the Scheme has never received funding from the Government.

1.1 History of the Scheme

The Scheme was initially established in 1919 under the *Defence Service Homes Act 1918* as part of repatriation activities for soldiers returning from the Great War, and to recognise their service to our nation. The War Service Homes Scheme (as it was known then) was established to build homes for returned soldiers and provide loans so soldiers could purchase them. As a consequence of the Commonwealth having a financial interest in the homes built by the War Service Homes Scheme, borrowers were required to have insurance to protect the property against fire and other risks that could damage or destroy the property. The War Service Homes Insurance Scheme (as it was known then) was established and financed by the premiums paid by the home purchasers and borrowers.

The Scheme has been funded from premiums since its inception and has not had funding from Government in its 100 years. Over the years the Scheme has evolved following World War II and more recent conflicts to include new cohorts. For example, eligibility was expanded in 2008 to those receiving benefits under the Defence Home Ownership Assistance Scheme (DHOAS). DHOAS is a benefit offered by the ADF to attract and retain service people while the Scheme provides an additional benefit to ADF home owners.

Today the Scheme provides home building insurance to over 52,000 eligible serving and ex-serving ADF personnel, veterans and their widows/widowers in a commercial environment and in competition with other insurers. The Scheme's building insurance policy is a defined events policy (for example fire, water escape and storm) which also includes accidental damage, fusion of motors and legal liability cover. It also provides limited cover for landlords including loss of rent and landlord's fixtures and fittings damaged as a result of a defined event.

Eligibility for insurance under the Scheme is, broadly, restricted to an Australian veteran, a serving member, a war widow, a widower or a peacekeeper who is entitled to:

- a loan under the *Defence Service Homes Act 1918*, whether or not they have accessed the loan or paid it out
- benefits under the *Veterans' Entitlements Act 1986*
- a subsidy under the *Defence Home Ownership Assistance Scheme Act 2008*, whether it is accessed or not, or
- a loan under the *Defence Force (Home Loans Assistance) Act 1990*.

New policies are generally taken out by eligible ADF personnel who are also eligible for the DHOAS. The Scheme has seen a steady but large decline in policyholders who are eligible under the *Veterans' Entitlement Act* due to the declining number of beneficiaries. Most beneficiaries are from the Vietnam War and earlier conflicts who are now passing away.

Over the years there have been numerous reviews into the continuation of the Scheme, the most recent in 2014. Each review has found the Scheme to be a valued benefit by the veteran community and that the Scheme operates efficiently without the need for government funding.

1.2 Other Insurance Products

As the *Defence Service Homes Act 1918* limits the Scheme to home building insurance, the Scheme acts as an agent providing personal insurance products through an agreement with QBE (Australia). This arrangement was established in 1990 when the Scheme entered into a commercial agreement to act as agent for Mercantile Mutual (now QBE), to sell home contents insurance policies to its qualifying policyholders. Since that time, the QBE arrangement has extended to other personal insurance types including, for example, contents, motor vehicle and caravan insurance. QBE underwrites and carries the risk associated with these policies.

The Scheme receives a commission for selling the QBE insurance products. The commission received from the QBE policies enables the Scheme to offer concessional premiums on its home building insurance policy. While the eligibility requirements of the *Defence Service Homes Act 1918* do not apply to the products offered through QBE, the Scheme only offers these products to those in the Defence community.

1.3 A Unique Offering

The Scheme is a highly valued benefit amongst the veteran community and ADF members. This has been demonstrated by multiple customer service awards from Roy Morgan, the fact that many policyholders initially become aware of the Scheme through word of mouth amongst the ADF and veteran community, and a greater than 90 percent retention rate.

In recognition of its unique policyholders, the Scheme's home building insurance policy has some key features including no excess on claims. This assists policyholders in getting their home back to pre-damage condition when they make a claim and is generally not offered by other insurers. Other examples of key features included in the Scheme's home building insurance policy includes, at no additional cost, accidental damage, fusion of motors and flood cover.

The Scheme is administered by DVA staff who understand the ADF and veteran experience of deployments and relocations to geographical locations that are not always of an individual's choice, but a part of their service requirement. This understanding underpins the service and product offering provided by the Scheme.

It is a straightforward process to apply for the Scheme's insurance. An individual is able to immediately take out cover over the phone after satisfactorily responding to some simple questions about their ADF service to confirm eligibility and details of their home. An electronic application form is also available.

As the Scheme is a government insurer and does not pay returns to shareholders, it is able to offer concessional home building insurance to its policyholders in recognition of their service and sacrifice to our nation.

1.4 A Government Insurer

The Scheme is the only insurance scheme of its type that is offered by the Australian Government. It is a benefit that has been supported for 100 years. While the Scheme is Government-owned, the Scheme is self-funded. Since its inception, the Scheme has not received funding from the Government.

As a government insurer, the Scheme is not required to pay certain taxes such as income or company tax or stamp duty nor does the Scheme pay dividends to the Government or shareholders. The Scheme is, however, limited in the type of insurance it can provide as the *Defence Service Homes Act 1918* specifies that the Scheme can only provide home building insurance. This restricts the Scheme in terms of its ability to diversify its portfolio (which is the practice of most other general insurers).

The Scheme is also required to invest surplus funds in accordance with the *Public Governance, Performance and Accountability Act 2013*. This means the Scheme is generally only able to invest in low risk investments which have a lower rate of return.

As the average rate of return on investments in the general insurance industry is 4.6 percent compared to the Scheme's average return of 2.6 percent, most general insurers achieve higher rates of return on their investments compared to the Scheme, and offer multiple insurance lines to diversify their portfolio and reduce their risk.

1.5 Affordability Issues in Northern Australia

On 24 April 2019, the Coalition made an election commitment to extend eligibility to the Scheme to enable all current and former ADF members access to concessional home building insurance. This commitment was part of a broader commitment by the Coalition to support veterans and their families which included increasing access to the DHOAS by extending the period of time an eligible member could access DHOAS.

The Coalition's commitment to extend eligibility to the Scheme was to recognise the service commitment of all who have served one day of service in the ADF and also in response to concerns raised by a small number of ADF members and veterans regarding the high cost of home building insurance (and associated affordability issues), particularly in disaster prone areas, such as northern Australia as well as the availability of insurance and level of choice in the market. This is supported by the findings of the Australian Competition and Consumer Commission's (ACCC) inquiry into the supply of home building, contents and strata insurance products to consumers in northern Australia.

The ACCC's first interim report highlighted the very high premiums (across the entire general insurance industry) being paid by policyholders in the region, with northern Australia premiums increasing by 130 percent over the past decade in comparison to 50 percent in southern Australia. Many insurers choose not to offer policies in northern Australia due to the higher risks associated with storms and cyclones. Those insurers who do offer policies generally offer them at a significantly higher premium to discourage growth of their portfolio in that area. The ACCC's report also highlighted that consumers in northern Australia are concerned about the ongoing increases in insurance premiums, causing many to not be insured due to the high cost of premiums, as well as concerns about the availability of insurance and level of choice.

The ADF has a large presence in northern Australia, particularly in areas like Townsville where the Lavarack base, which has approximately 4,600 members, is located. ADF members and veterans therefore face higher insurance premiums as a result of being posted to bases such as HMAS Cairns, Robertson Barracks and RAAF Tindal in the Northern Territory and North Queensland regions when compared to regions in southern Australia. This increases cost of living pressures to ADF members who are posted to these locations and subsequently establish family homes in these regions. The Scheme offers concessional home building insurance premiums and offers insurance to eligible individuals in all areas of Australia. This helps ease cost of living pressures faced by ADF members and supports them wherever they are posted in Australia.

As the Scheme's home building insurance policy has no excess on claims, policyholders under the Scheme are able to make a claim without having to make a payment. This assists policyholders with cost of living pressures they may experience in times of adverse events.

2. What is the policy problem you are trying to solve?

The Scheme offers concessional home building insurance. However, under the current eligibility requirements, more than 300,000 veterans and current serving members are not able to access the financial benefits of the Scheme's concessional home building insurance which not only provides generous policy conditions but assists to reduce cost of living pressures. Under the Scheme's current eligibility requirements, the Scheme is generally limited to those who have seen war like service or those who are currently serving in the ADF with at least four years' service (or eight years for reservists).

As the eligibility requirements of the Scheme do not recognise all those who have served our nation, there is disparity between ADF members and veterans who can and cannot access insurance through the Scheme based on an individual's type and length of service. Further, those ADF members who are posted to regional or northern Australia and are not eligible for the Scheme face significantly high home building insurance premiums and consequently increased cost of living pressures. In some instances, individuals may be unable to secure insurance cover for their home. ADF members have limited choice in where they are posted and are therefore unable to mitigate against high insurance premiums by living in lower risk areas. There are estimated to be over 14,000 ADF personnel based in northern Australia. Based on insurance industry take up rates of 48 percent, this equates to nearly 7,000 personnel who are faced with high insurance premiums due to their posted location.

The above issues have been brought to the attention of the Australian Government by ADF members and veterans and were also identified by the ACCC during its inquiry into the supply of home building, contents and strata insurance products to consumers in northern Australia – see Section 1.5.

3. Why is government action needed?

The current eligibility requirements of the Scheme means that some ADF members and veterans are not able to access the concessional home building insurance offered through the Scheme. The Government has therefore committed to expand the eligibility requirements of the Scheme to all current and former ADF members with at least one days' service (including reservists). This was a Coalition Election Commitment announced on 24 April 2019 which will mean an additional 300,000+ veterans and current serving members will be able to access the benefits available through the Scheme's concessional home building insurance.

Expanding the Scheme's eligibility requirements will address the disparity in current eligibility criteria, ensure the Scheme supports all ADF members and veterans in recognition of their service and sacrifice to our nation, and provide greater peace of mind for both the deploying member and remaining spouse and family should an adverse event occur and an insurance claim is warranted. In addition, the concessional insurance available through the Scheme will reduce costs of living for ADF members and veterans, especially for those located in regional and northern Australia.

4. What policy options are you considering?

This Regulation Impact Statement is in response to the Government's Election Commitment to expand access to the Scheme for veterans. *The Australian Government Guide to Regulation* states that a RIS covering matters which were the subject of an election commitment are not required to consider a range of policy options. As such, the options of maintaining the status quo (i.e. no government action) and the expansion of eligibility (the Election Commitment) have been considered.

4.1 Option 1: Maintain the Status Quo

Under this option the Scheme would continue to offer home building insurance to veterans and ADF members who meet the current eligibility requirements under the *Defence Service Homes Act 1918*. Generally speaking, the Scheme is currently limited to those who have seen war like service or those who are currently serving in the ADF with at least four years' service (or eight years for reservists). It does not take into account the many other current and previous serving members of the ADF who would otherwise be able to access the same supports and entitlements in recognition of their service to our nation.

4.2 Option 2: Extend eligibility to the Scheme to current and former ADF members with at least one day of service

As noted above, on 24 April 2019, the Coalition made an election commitment to extend eligibility to the Scheme to enable all current and former ADF members access to concessional home building insurance. This commitment was part of a broader commitment by the Coalition to support veterans and their families which included increasing access to the DHOAS by extending the period of time an eligible member could access DHOAS. Under this option the Scheme would offer home building insurance to all ADF members and veterans who have had at least one days' service, regardless of their type of service.

5. What is the likely net benefit of the election commitment?

5.1 Option 1: Maintain the Status Quo

The Scheme's current market share is estimated at 0.5 percent and the number of policy holders is declining by an average of three percent per annum primarily due to the Scheme's age profile. The average age of a policyholder in the Scheme is 70.

Affected Parties

There would be no change to the current cohort of eligible clients under this option. A significant number of veterans and current ADF members would continue to be excluded from the Scheme. This is estimated at 347,776 as per Table 1.

Table 1: Number of ADF members and veterans currently unable to access the Scheme

	No. of ADF members and veterans
All current and former ADF members **Source:** Australian Defence Force statistics	631,800
Current eligible market **Source:** DVA beneficiaries statistics June 2019	284,024
Number of ADF members and veterans currently unable to access the Scheme	**347,776**

Benefits

The Scheme would continue to offer home building insurance to veterans and ADF members who meet the current eligibility requirements.

Under this option, commercial insurers would benefit as they would not lose market share (see section on competitive neutrality). To remain financially viable, insurers need to employ a number of strategies. A smaller number of policies may make insurers more susceptible to risk and volatility as a result of catastrophe events. Under this option, the Scheme's market share would likely decline from 0.5 percent with other insurers potentially attaining a small increase in market share.

As at 30 June 2019, the current benefit (i.e. savings) received by Scheme policyholders is estimated at almost $42 million (refer Table 2). This is based on the difference between the Scheme's premiums and premiums charged by competitors (detailed in Table 5). The benefit in Queensland is much greater due to insurance affordability issues as outlined in Section 1.5.

Table 2: Current Benefit Received by Policyholders

State / Territory	Benefit ($)
New South Wales (incl. Australian Capital Territory)	7,353,753
Queensland	26,711,849
South Australia	1,285,390
Tasmania	347,224
Victoria	3,929,026
Western Australia	2,217,069
Total	**41,844,312**

Weaknesses

This option does not meet the Government's commitment to supporting veterans in recognition of their service and sacrifice to our nation and means that the disparity between ADF members (current and former) who can and cannot access the Scheme will continue to exist. As such, a number of ADF members and veterans will continue to be ineligible for the Scheme's concessional insurance.

The average age of a policyholder in the Scheme is 70. As such, the Scheme's policy base would continue to decline under this option, primarily due to the Scheme's age profile. Consequently, Option 1 would have a negative impact on the commercial viability of the Scheme. The Scheme needs to maintain policy numbers to remain financially sustainable in the longer term as evidenced through actuarial modelling undertaken by the Australian Government Actuary and an independent actuary. Specifically, the Scheme requires a minimum number of policyholders to underpin its Capital Management Plan and be able to pay out claims when required. A smaller number of policyholders makes the Scheme more susceptible to volatility as a result of catastrophe events.

Costs

There are no regulatory costs to individuals, businesses or community organisations under this option.

5.2 Option 2: Extend eligibility to the Scheme to current and former ADF members with at least one day of service

Affected Parties – Potential Policyholders

All current and former ADF members who are not currently able to access insurance through the Scheme would be eligible to take up the Scheme's insurance offering. This is estimated to be around an additional 347,776 ADF members and veterans – refer Table 1.

Analysis undertaken by an insurance industry expert indicates the additional number of potential policyholders under the Scheme would be significantly less and be around 166,932 based on industry statistics of home ownership and insurance take up rates of 48 percent. This figure is further reduced when taking into consideration the shopping habits of those who purchase home building insurance.

According to independent research, an average of 16 percent of policyholders in the home building insurance market obtain quotes from other insurers (or shop around) each year when they receive their renewal notice to find cheaper insurance premiums and/or insurance premiums that offer better coverage. In applying this to the anticipated additional number of potential policyholders (166,932), this equates to 26,709. This does not mean the number of potential policyholders who shop around will actually change insurers. As such, the number of new policyholders under the Scheme upon expansion will possibly be less than 26,709.

Table 3 illustrates the impact on potential new policyholders post expansion after considering the impacts of home ownership and take up rates and the shopping habits of the general insurance market.

Table 3: Potential New Policyholders Post Expansion

	Estimated No. of Potential New Policyholders
Increase in total eligible market post expansion	347,776
Total potential new policyholders based on home ownership and take up rate of 48 percent	166,932
Total potential new policyholders based on shop around rate of 16 percent	26,709

Affected Parties – General Insurers

This option would have an incremental impact on general insurers in the private sector who lose a portion of their market share over time to the Scheme.

The Scheme's current market share is estimated at 0.5 percent (52,240). Based on projections undertaken, it is estimated that the Scheme would grow by 0.2 percent up to 0.7 percent of the market (72,421) by 30 June 2024 (refer Table 4) as a result of the expansion opening the Scheme up to new policyholders. This growth is primarily expected in New South Wales, Victoria, Tasmania and the Australia Capital Territory where a targeted marketing strategy in these regions is proposed.

Forecast modelling of policyholders in Table 4 indicates outcomes that are consistent with modelling previously undertaken by the Australian Government Actuary.

Table 4: Number of Policyholders under the Scheme

	30 June 2019	June 2020	June 2021	June 2022	June 2023	June 2024
	Actual	**Forecast** [1]				
No. of Policyholders	52,240	54,753 [2]	60,433	65,191	69,151	72,421
Estimated percentage of home building insurance market	0.50%	0.53%	0.58%	0.63%	0.67%	0.70%

Notes:

1. The above figures are based on policyholders who would be eligible for the Scheme, taking into account:
   - home ownership and insurance take up rates
   - the shopping habits of those who purchase home building insurance, and
   - an assumption that the Scheme will undertake a marketing strategy and achieve a 30 percent share of those consumers (currently 17 percent).
2. The expansion of eligibility is expected to be implemented from 1 January 2020 and therefore this figure includes six months of expansion.

Benefits

Under this option the expansion of eligibility for the Scheme would provide more veterans and ADF members' access to concessional insurance which would also reduce cost of living pressures, particularly in northern Australia.

As demonstrated by Table 5, the Scheme offers concessional home building insurance premiums which are, on average, 35 percent lower than that provided by other general insurers. This assists in reducing the cost of living for veterans and their families, particularly in regional Australia and high peril risk areas such as northern Australia, where the ADF has a large presence and other insurers charge high premiums for home building insurance (if they offer this insurance at all). This was a key component of the Coalition's Election Commitment.

Table 5: Average premium of Other Insurers by state / territory in comparison to the Scheme

State / Territory	Other Insurers ($)	DSHI Scheme ($)	Difference
New South Wales (incl. Australian Capital Territory)	1,749	1,204	31%
Northern Territory	2,744	1,896	31%
Queensland	2,646	1,295	51%
South Australia	937	649	31%
Tasmania	1,092	777	29%
Victoria	1,176	715	39%
Western Australia	1,373	919	33%
National Average Premium	1,674	1,065	35%

Expansion would make the Scheme available to all current and former ADF members and close existing gaps in eligibility for ADF members and veterans (although they would still be able to choose their own insurer). This would also ensure a stable client base which would, in turn, support the longer term sustainability of the Scheme and enable the Scheme to continue to provide benefits to all ADF members and veterans.

Weaknesses

This option will have an incremental, negative impact on the general insurance market as the Scheme would increase its market share over time. Consequently, some insurers will experience a loss of income or incur indirect costs associated with the changes to the Scheme's eligibility criteria and the fact the Scheme offers concessional home building insurance premiums – refer Table 5.

Table 6 shows the estimated loss of insurance revenue to other insurers resulting from policyholders taking out insurance with the Scheme upon becoming eligible is estimated to be around $30 million per year (0.34 percent of the householders general insurance industry gross written premium per year). This is calculated by applying the average industry premium to the number of new policyholders who are estimated to take up insurance with the Scheme and represents the premium foregone by the general insurance industry. These figures do not, however, take into account costs incurred by insurers in managing the policy and the risk associated with providing cover which are unable to be quantified. As such, the impact on profits earned by other home building insurers is likely to be less.

Table 6: Estimated loss of insurance premium revenue for other insurers resulting from policyholders taking out insurance under the Scheme

State / Territory	2019-20 ($)*	2020-21 ($)	2021-22 ($)	2022-23 ($)	2023-24 ($)
New South Wales (incl. Australian Capital Territory)	6,021,100	11,993,397	11,870,902	11,771,226	11,690,638
Northern Territory	210,646	421,857	420,322	419,262	418,575
Queensland	5,223,934	10,472,010	10,447,041	10,433,475	10,428,936
South Australia	379,233	763,963	766,649	769,605	772,719
Tasmania	91,982	185,660	186,731	187,795	188,834
Victoria	2,044,858	4,093,967	4,077,252	4,065,058	4,056,494
Western Australia	1,048,684	2,104,347	2,101,768	2,101,021	2,101,681
Total Estimated Loss of Insurance Premium to Other Insurers	**15,020,437**	**30,035,201**	**29,870,664**	**29,747,442**	**29,657,877**
Note: The expansion of eligibility is expected to be implemented from 1 January 2020 and therefore this figure only includes six months of expansion.					

Over the next five years to 30 June 2024, it is estimated that new policyholders who take out insurance as a result of becoming eligible for the Scheme will save around $11 million per year, which will consequently ease cost of living pressures for these policyholders by the same amount. This is calculated by comparing the average industry premium with the Scheme's premiums (refer Table 5) and applying this saving to all new policyholders estimated to take up insurance with the Scheme.

Expansion of the Scheme will result in less tax revenue for State and Federal Government to the extent that private insurers experience a reduced market share.

Costs

There will be no regulatory compliance or administrative costs incurred by business, community organisations or individuals under this option and individuals would still be able to choose their own insurer.

Competitive neutrality considerations

Competitive neutrality means that government-owned businesses and private businesses compete on a level playing field and that government businesses should not have a competitive advantage as a result of their public sector ownership. Government business activities that have unfair advantages (or disadvantages) could promote inefficient production and pricing practices. This would cause an excess flow of resources to the public sector, limiting resource availability to the private sector and increasing the overall costs of service provision to the community.

The Scheme sought exemption from competitive neutrality in 2008 due to the Scheme being a long-standing feature of the Australian repatriation system and because the application of competitive neutrality would result in significant premium increases to policyholders. It is estimated that the Scheme's competitive neutrality exemption results in average premium savings to policyholders of around $150 per year because the Scheme is not required to pay certain taxes such as income or company tax or stamp duty. This figure is partially offset by some commercial restrictions on the Scheme. For example, the Scheme is unable to achieve a commercial return on investments comparable to other insurers or offer other insurance products to diversify its portfolio. However, as the actual impact of these restrictions and the extent that they mitigate competitive neutrality issues is not able to be quantified, these are not factored into the estimated savings to policyholders.

The Scheme's current competitive advantage could potentially be exacerbated by this proposal. This is not, however, expected to be significant based on the number of potential new clients, the Scheme's current market share (0.5 percent), and anticipated growth of up to an additional 0.2 percent resulting from an expansion to the Scheme's eligibility requirements. It is also highly unlikely to impact small operators as 74 percent of the general insurance market is held by four major insurers (IAG, Suncorp, QBE and Allianz).

6. Who will you consult about the election commitment and how will you consult them?

Concerns raised by a small number of ADF members and veterans as well as the findings of the ACCC's inquiry into the supply of home building, contents and strata insurance products to consumers in northern Australia (as referenced at Section 1.5) provide anecdotal evidence and are indicative that a lack of access to concessional home building insurance by ADF members and veterans increases cost of living pressures for those who are ineligible to access the Scheme. This results from having to pay higher home building insurance premiums. In some instances individuals are unable to secure insurance cover for their home.

These concerns will be mitigated by the Election Commitment. Further, expanding the Scheme's eligibility requirements will address the current disparity in eligibility criteria and recognise the service commitment of all who have served one day of service in the ADF.

The Scheme will develop a marketing strategy and undertake targeted marketing among veterans and ex-service organisations to raise awareness of the expansion to the Scheme's eligibility requirements. This will include publishing information on the DVA and Scheme website.

The Scheme has consulted with an independent insurance industry expert to understand the potential take up of new policyholders. Their modelling has been used to project policy numbers in Option 2.

7. What is the best option from those you have considered?

The status quo option will mean that more than 300,000 ADF members and veterans continue to be ineligible for the Scheme. As such, these individuals will remain unable to access the concessional home building insurance offered through the Scheme and benefit from the savings that would otherwise assist in reducing their cost of living.

Option 2 ensures the Australian Government delivers on its promise to recognise all veterans who have served in defence of our nation and provides equality in who is able to access benefits through the Scheme. It will reduce the cost of home building insurance for an additional 300,000+ ADF members, veterans and their families, and provide cost savings to individuals who take up the Scheme's insurance of up to $11 million per year. This will ease the cost of living for those ADF members, veterans and their families, particularly those located in regional and in northern Australia

Any increased revenue received from expanding the Scheme's eligibility and associated take-up rates will be used towards the Scheme's operational costs and ensuring the Scheme maintains adequate capital to cover claims resulting from any adverse events in the future. Any additional commissions received by the Scheme as a consequence of expanded eligibility and associated take-up of the QBE products will ensure the Scheme can continue to offer competitive premiums on its home building insurance policy.

8. How will you implement and evaluate the election commitment?

It is intended the new eligibility requirements will take effect from 1 January 2020, following passage of legislative amendments. This will require amendments to the *Defence Service Homes Act 1918*.

A targeted marketing strategy will be implemented and will take a staged approach to manage intake and ensure appropriate geographical diversification to mitigate risks associated with concentration exposure in high natural peril risk areas such as northern Australia and exposure to cyclones.

The take up of home building insurance under the Scheme following expansion will be monitored on an ongoing/annual basis. The outcome of the Election Commitment will be reviewed in three years. This review will be overseen by the Defence Service Homes Insurance Advisory Board and senior DVA management.