



Australian Government

Department of Finance

The Treasury

## PUBLIC RELEASE OF 2019 ELECTION COMMITMENT COSTING

<b>Name of proposal costed: Defence Service Homes Insurance Scheme – expanding eligibility</b>	
<b>Costing Identifier:</b>	COA048
<b>Summary of costing:</b>	This proposal would expand eligibility for coverage under the Defence Service Homes Insurance Scheme from certain limited beneficiaries to include all current and former members of the Australian Defence Force with at least one day of service.
<b>Ongoing or Terminating (including date)<sup>(a)</sup></b>	Ongoing
<b>Person making the request:</b>	Prime Minister
<b>Date costing request received:</b>	9 May 2019
<b>Date of public release of policy:</b>	24 April 2019
<b>Date costing completed:</b>	15 May 2019
<b>Additional information requested (including date):</b>	Not applicable.
<b>Additional information received (including date):</b>	Not applicable.

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program).

Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

### Financial implications (outturn prices)<sup>(b)</sup>

Impact on	2018-19	2019-20	2020-21	2021-22	2022-23
Underlying Cash Balance (\$m)	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (\$m)	0.0	0.0	0.0	0.0	0.0

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

**Where relevant, state that the proposal has been costed as a defined or specified amount.**

Not applicable.

**Where relevant, include separate identification of revenue and expense components.**

Revenue: The Defence Service Home Insurance Scheme Special Account would receive additional revenue from premiums and fees.

Expense: The Defence Service Home Insurance Scheme Special Account would have increased expenses for claims and reinsurance costs.

**Where appropriate, include a range for the costing or sensitivity analysis.**

Not applicable.

**Qualifications to the costing (including reasons for the costing not being comprehensive).**

This costing assumes that revenue will match expense in each year noting that claiming patterns are, in practice, unpredictable.

**Where relevant, explain effects of departmental expenses.**

Consistent with the costing request, the costing assumes that the cost of implementing this commitment would be funded from the Defence Service Home Insurance Scheme Special Account in accordance with current program arrangements or absorbed by the Department of Veterans' Affairs.

**Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.**

Not applicable.

**Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).**

Not applicable.

**Where relevant, include an explanation of the medium term implications of the proposal<sup>(c)</sup>.**

Not applicable.

(c) Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period.

## **Background information**

### **Costing methodology used.**

The Defence Service Home Insurance Scheme is designed to cover all claims through premiums, fees received from QBE Insurance and reinsurance claims on a cyclical basis. This costing assumes that the Defence Service Home Insurance Scheme Special Account will receive sufficient revenue to cover all claims, resulting in no underlying cash impact.

However, due to variability in claiming patterns (driven predominantly by natural disasters) the Defence Service Home Insurance Scheme may result in an underlying cash impact to Government if revenue does not match expenses in that financial year, or a positive impact should claims be less than predicted.

### **Behavioural assumptions used (as appropriate).**

The costing assumes that policy take-up will match historical trends.