ANNUAL REPORTS 2017

OACIQ
ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

FARCIQ
Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec

In this document the masculine gender includes the feminine and is used to facilitate reading.

Produced and published by the ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC
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Mr. Richard Boivin
Assistant Deputy Minister,
Policies regarding Financial Institutions and Corporate law
Department of Finance
Government of Québec

QUÉBEC

Dear Mr. Boivin,

We are pleased to submit the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2017.

Yours very truly,

M^e Michel Léonard
Certified Real Estate Broker AEO
Chairman of the Board of Directors

Ministère des Finances
Québec

Mr. Carlos J. Leitão
Minister of Finance
Government of Québec

QUÉBEC

Dear Mr. Leitão,

Allow us to present the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2017.

Yours sincerely,

Richard Boivin
Assistant Deputy Minister
Policies regarding Financial Institutions and Corporate law

Ministère des Finances
Québec

Mr. Jacques Chagnon
President of the National Assembly
Government of Québec

QUÉBEC

Mr. President,

I have the honour of submitting the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2017.

Respectfully yours,

Carlos Leitão
Minister of Finance


Protecting

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PROFILE OF THE ORGANIZATION

MISSION

The Organisme d'autoréglementation du courtage immobilier du Québec (**OACIQ**) ensures the protection of members of the public who enlist the services of real estate and mortgage brokerage professionals governed by the *Real Estate Brokerage Act*.

VISION

The **OACIQ** is the authority of real estate and mortgage brokerage in Québec. It protects and assists the public by ensuring sound broker practices.

VALUES

The directors and staff of the **OACIQ** fully embrace the Organization's values in their professional activities:

» **Leadership**

» **Competence**

» **Integrity**

GOVERNANCE

The governance framework in which the **OACIQ**'s Board of Directors, management and staff operate is designed to ensure cohesive and effective interventions while promoting engagement and adherence to the highest ethical standards in order to better carry out the Organization's public protection mission.


Informing

MESSAGE FROM THE
CHAIRMAN OF THE BOARD OF DIRECTORS

On behalf of the **OACIQ** Board of Directors, I am pleased to present the 2017 annual report of the Organisme d'autoréglementation du courtage immobilier du Québec (**OACIQ**), in accordance with the *Real Estate Brokerage Act*.

Renewed governance

In any organization, the role and efficiency of its board of directors is of paramount importance. During this year, I had the pleasure and the privilege, with the members of the board, to approve the strategic directions 2017-2019 of the Organization.

This ambitious strategic planning has notably led the Organization to review its operation and its governance and to:

- clarify the role of the board of directors and its executive officers, as well as that of general management, so that each entity can focus more on its responsibilities;
- establish competency profiles for directors to foster a board of directors and board committees whose members collectively have the skills, knowledge and experience required for the performance of their duties;
- improve the election process, as well as the appointment process of committee members, to ensure that the most qualified persons hold office;
- provide annual training activities for directors so they can play their role efficiently; and
- review the assessment process of the board of directors and its members to ensure their optimal performance.

The code of ethics of directors, executive officers and committee members has been replaced by a renewed code of ethics and professional conduct. In the same vein, the code of ethics of the employees of the **OACIQ** has also been reviewed and adapted.

Elections to the Board

I congratulate the board members elected on June 2, 2017:

- Ms. Stéphanie Gauthier and Mr. George Bardagi (re-elected) for the Montreal region;
- Mr. Joël Charron for the Western region;
- Mr. Pierre Martel, re-elected as a representative of the mortgage brokerage licensees; and
- Mr. Jacques Métivier, as a representative of commercial real estate brokerage.

I would also like to mention the arrival of directors Ms. Jacqueline Codsi and Mr. Pierre Hamel, appointed by Québec Finance Minister.

Chairman of the Board since November 2016, I am midway through my three-year term. This is a great honour for me, and I wish to thank each member of the Board of Directors for this mark of confidence.

> “THE OACIQ IS OPENING UP TO THE FUTURE WITH THE ASSURANCE OF ASSUMING ITS ROLE AS A REGULATOR WITH MORE ENERGY THAN EVER BEFORE.”

Successful events

During the year, the **OACIQ** has particularly shown its proactivity and leadership by holding two new events–a virtual Annual General Meeting in May and a Colloque immobilier (Real Estate Symposium) in October. These two events helped the Organization increase its reach and disseminate its messages.

The virtual Annual General Meeting was a success, enabling us to discuss the challenges facing the profession with many of the 720 participants.

The commitment and professionalism of the Board, general management and staff towards its mission were also shown during the preparation and conduct of the Colloque immobilier on October 5th. Some 500 real estate and mortgage brokers, along with several professionals from the legal and building inspection community, were able to discuss current issues facing buyers, sellers, lessors and borrowers, and learn more about bill 141.

These two initiatives, which were part of the 2017 organizational priorities, were so successful that it was agreed to renew them in 2018.

Healthy finances

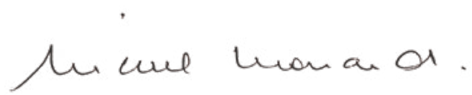
The OACIQ financial strength is essential to the success of its mission, in order to preserve its ability to protect consumer interests. We are proud of the excellent financial results of the Organization and know that they are the outcome of a sound and careful management of the general management.

Revision of the *Real Estate Brokerage Act*

In the fall of 2017, following the tabling of Bill 141 (Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions) by Finance Minister Carlos Leitão, the OACIQ presented its orientations and positions regarding the amendments to the *Real Estate Brokerage Act* arising therefrom. The Organization submitted a brief and participated in several constructive discussions with the government.

Conclusion

In full swing, the OACIQ is opening up to the future with the assurance of assuming its role as a regulator with more energy than ever before. As the updating of the *Real Estate Brokerage Act* is approaching, I believe that its leadership will broaden, as its supervision, which is beneficial to the public, will be even better known. In this regard, I am confident that the general management will successfully discharge this great mission.



Me Michel Léonard
Chairman of the Board of Directors
OACIQ

MESSAGE FROM THE **PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Towards a revised *Real Estate Brokerage Act*

The year 2017 was marked by the significant efforts of the OACIQ to obtain a revised *Real Estate Brokerage Act* to ensure proper supervision of real estate and mortgage brokerage activities. The Government's intervention in the real estate market was indeed required many years ago, because there was a need to tighten the rules regarding this complex activity that is the real estate transaction, often the most important transaction of a lifetime. Nowadays, real estate and mortgage transactions are even more complex– ageing building stock, flooding, various issues related to pyrite, pyrrhotite, land subsidence or dry rot, to name a few. It is therefore important to maintain a regulatory framework for real estate and mortgage brokerage that is credible and ensures public trust.

By adopting the *Real Estate Brokerage Act*, the Government of Québec specifies the responsibilities and obligations of real estate and mortgage brokers whose role is to reduce in advance the risks associated with real estate transactions.

As a regulator of real estate and mortgage brokerage, our intervention with various levels of government focused specifically on four main recommendations for improvement to Bill 141. These include providing a clear definition of what constitutes a brokerage transaction so that the OACIQ can properly assume the role entrusted to it and enforce the *Real Estate Brokerage Act*, modernizing and maintaining the supervision of real estate leasing brokerage under the responsibility of the OACIQ, maintaining mortgage brokerage oversight under the competence of the OACIQ to ensure a single window for consumers, avoid regulatory duplication and ensure a credible and coherent governance of the OACIQ.

NADINE LINDSAY, LL.B., ASC, C.DIR.
President and Chief Executive Officer

"IT IS IMPORTANT TO MAINTAIN A REGULATORY FRAMEWORK FOR REAL ESTATE AND MORTGAGE BROKERAGE THAT IS CREDIBLE AND ENSURES PUBLIC TRUST."

Strengthened governance

The adoption of a strong three-year strategic plan 2017-2019 has allowed the OACIQ to review many of its procedures to ensure that its public protection mission is at the heart of its activities and actions. In this context, in 2017 the organization notably adopted the deployment of a program to optimize its internal processes by implementing a continuous improvement and integrated risk management approach. The entire governance of the OACIQ and its Board of Directors have also been reviewed to ensure, in particular, a better clarification of roles, the establishment of competency profiles and annual training activities for governance, ethics and risk management directors.

A better-informed public

In 2017, the OACIQ continued its efforts to communicate more with members of the public to inform them about the many resources available to protect them before, during and after their real estate or mortgage transaction. Indeed, to make an informed choice, consumers must be able to know what protections they can expect when dealing with a real estate or mortgage brokerage professional licensed by the OACIQ and who is subject to the obligations set out in the *Real Estate Brokerage Act*.

A better-protected public

As a regulator, in 2017 the OACIQ supervised slightly over 16,000 licence holders in Québec in different ways to ensure its sole mission of protecting the public.

One of the important aspects of public protection is that the OACIQ ensures that the licensed professionals are competent and trained in relation to their obligations and responsibilities provided by the Act, that they are inspected and monitored to ensure compliance with these obligations and in case of default, the Organization has the power to investigate and prosecute licence holders who violate the Act.

Reinforcing the supervision of real estate and mortgage brokerage is at the heart of our actions and decisions. All our activities and interventions promote an environment of compliance and trust.

An innovative regulator

It's in this spirit of innovation that we held the virtual Annual General Meeting of May 2017. The leadership of the **OACIQ** team was also demonstrated at the *Colloque immobilier in Montréal*, in October 2017. Organized at the initiative of the **OACIQ**, this event was attended by almost 500 individuals from various backgrounds who discussed the current real estate issues. For the first time, real estate and mortgage brokerage regulators and specialists from different Canadian provinces and from abroad came together to share their key issues and possible solutions.

Building a future together

At this beginning of 2018, I am pleased to see the work we have accomplished and look forward to accomplishing the remaining work with confidence. Indeed, I am happy with the results of our successful strategic plan, the outcome of a sound management and sustained efforts of the entire **OACIQ** team.

With the invaluable support of the Board of Directors and all staff, the **OACIQ** starts 2018 with assurance, confident that consumers will know more than ever all the resources we put at their disposal.

Me Nadine Lindsay, LL.B., ASC, C.Dir.
President and Chief Executive Officer
OACIQ

"THE **OACIQ** STARTS 2018 WITH ASSURANCE, CONFIDENT THAT CONSUMERS WILL KNOW MORE THAN EVER ALL THE RESOURCES WE PUT AT THEIR DISPOSAL."

EXECUTIVE COMMITTEE

FROM LEFT TO RIGHT:

Executive Vice-President – Corporate Affairs
Claudie Tremblay, LL.B., Adm.A.

Vice-President – Finance, IT and Business Processes
Dominique Derome, Adm.A., ASC, FCPA, FCMA

President and Chief Executive Officer
Nadine Lindsay, LL.B., ASC, C.Dir.

Vice-President – Enforcement of Practices
Caroline Champagne, B.C.L., LL.B., MBA

Vice-President – Communications
Sofy Bourret

2017 IN NUMBERS

OACIQ'S ACTIVITIES

CONTINUING EDUCATION

471
training activities available under the Mandatory Continuing Education Program of the OACIQ (MCEP)

131
new accredited training activities

68
training activities of the OACIQ

1,619
training sessions attended

CERTIFICATION

1,873
exams taken

1,819
licence applications

OACIQ.COM

860,552
sessions

SYNBAD.COM

113
new or updated articles

417,517
sessions

ELECTRONIC NEWSLETTERS

966

EVENTS

40
participations

500
participants in the Colloque immobilier

SYNDIC

503
investigations opened

PUBLIC ASSISTANCE

2,251
requests

INFO OACIQ

58,059
inquiries

DISCIPLINE COMMITTEE

199 fines, totalling $315,300

198 licence suspensions

ILLEGAL PRACTICE

115
investigations opened

FORMS

11
modified or updated

ELECTRONIC FORMS

11,955
subscribers

INDEMNITY

9
claims approved for 11 files

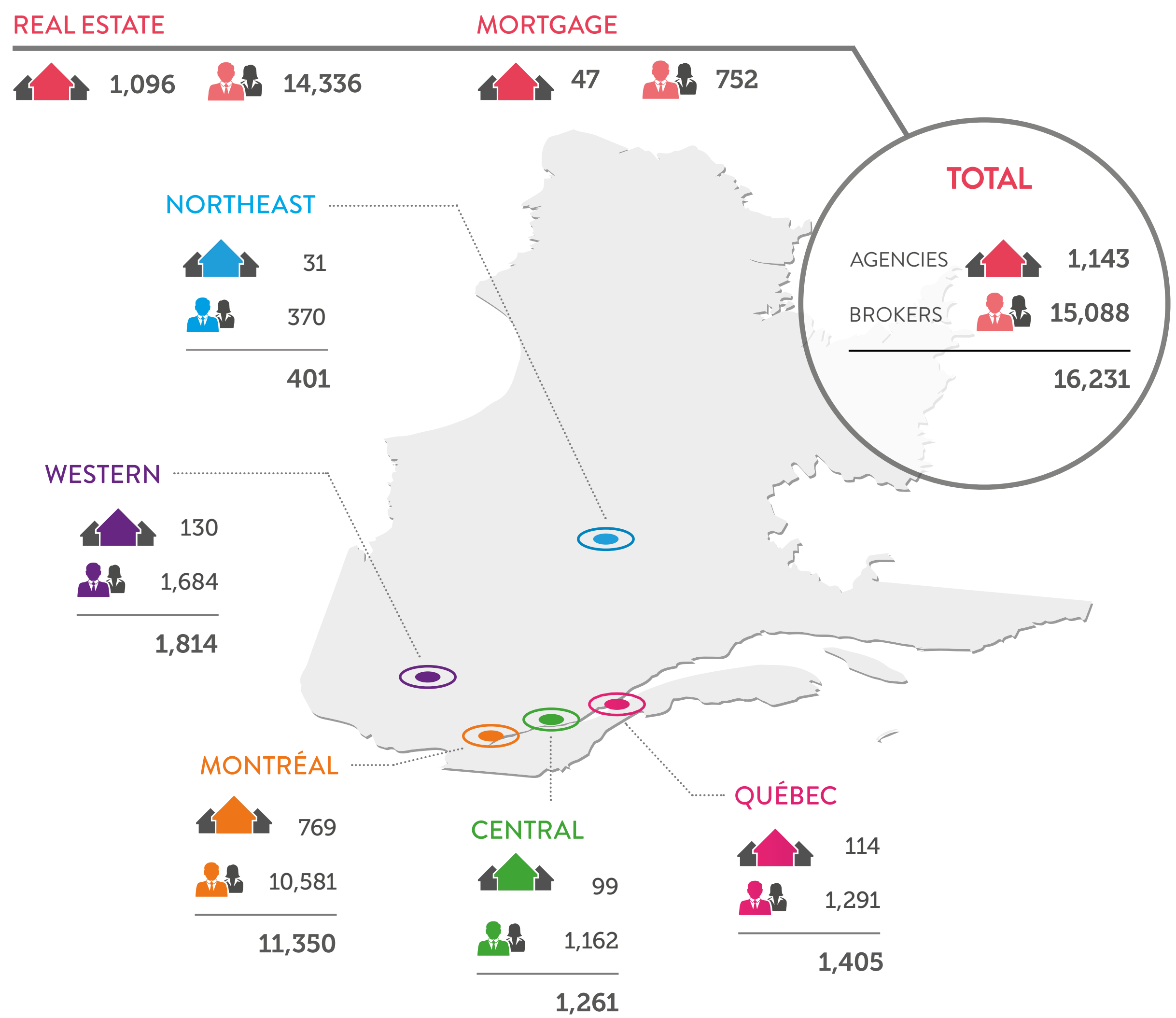
$108,071
in indemnities

INSPECTIONS

3,961 brokers and agencies inspected

CURRENT STATE OF REAL ESTATE AND MORTGAGE BROKERAGE

The number of real estate or mortgage agencies and brokers with a valid licence to practice stood at **16,231** at the **end of 2017**.



ACTIVITY REVIEW

INFORMATION AND PUBLIC ASSISTANCE

To fulfil its public protection mission when it comes to real estate or mortgage transactions carried out with the help of an authorized professional, the OACIQ makes the resources and services permitted under the *Real Estate Brokerage Act* available to consumers.

Information

In 2017 the OACIQ informed consumers even more proactively to help them make informed decisions, notably via:

- More content on the **oaciq.com** website (81 new or updated articles);
- The processing of more inquiries by Info OACIQ (58,059);
- The more comprehensive "Check a broker's record" tool on the website;
- A public outreach campaign, the various references to the Organization seen almost 17.7 million times by the public, including through the capsules disseminated on *Protégez-Vous* website, as well as information campaigns on popular sites such as *Les Affaires*, *The Gazette*, etc.;
- Increased popularity on social media, including more than 2 million impressions on Facebook;
- The holding of the Colloque immobilier attended by almost 500 participants;
- Greater presence with the public in some 40 events.

In constant touch with the Organization's tools and priorities, the attentive staff of Info OACIQ has directed the public and brokers more towards the executive officer of the agency involved in the transaction, given his responsibility for overseeing, advising and supervising his agency brokers. The public was extremely satisfied (98%) with the relevance of the information received and the quality of the service.

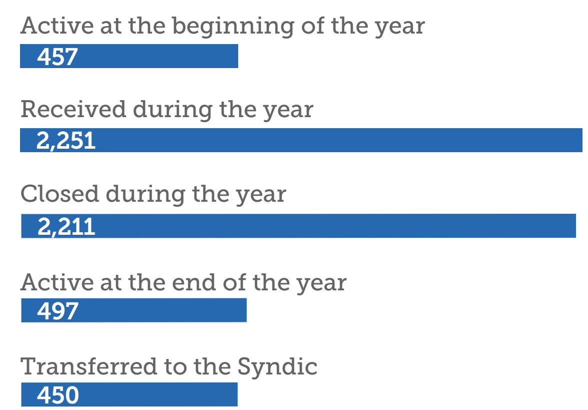
Special emphasis was also given to agency executive officers to equip them with best tools to ensure that practices are consistent with the *Real Estate Brokerage Act* , and consumers are better protected.

Public assistance

When someone wishes to file a complaint against a real estate or mortgage brokerage professional authorized by the OACIQ, the Public Assistance Department takes over from Info OACIQ. An analyst reviews the nature of the complaint, identifies and decides on the appropriate course of action, and guides the plaintiff through the process. He also provides information concerning possible recourses, and intervenes with the broker or agency in order to find a solution.

In 2017, 2,251 requests were received, including 450 transferred to the Syndic: 343 disciplinary complaints and 107 cases of illegal practice.

Complaints processed - 2017



Indemnity

A consumer who is the victim of fraud, fraudulent tactics or misappropriation of funds in the course of a real estate or mortgage transaction involving a broker may file a claim with the Indemnity Committee (see p. 33). This committee is responsible for ruling on the eligibility of claims and deciding on the amount of compensation to be paid, in accordance with the regulations, from the Real Estate Brokerage Indemnity Fund (FICI). This fund, which provides financial protection for consumers, is created under the *Real Estate Brokerage Act*. The FICI is funded annually by contributions paid by all real estate and mortgage agencies and brokers in Québec.

Of note in 2017:

44 claims received

64 claims processed (including 6 claims closed for administrative reasons)

16% of claims processed by the Committee were approved

$108,071 in indemnities paid for an average claim amount of $12,007

Access to information

The **OACIQ** is governed by the *Act respecting access to documents held by public bodies and the protection of personal information*. This year, the Organization received 31 access-to-information requests. The **OACIQ** acts proactively by making documents and information of interest to consumers and authorized professionals available on its website.

ENFORCEMENT OF PRACTICES

The OACIQ oversees brokers and agencies and ensures that the activities of these authorized professionals are in compliance with the *Real Estate Brokerage Act*, which includes the rules of professional ethics. In 2017, emphasis was placed on improving the file processing time and compliance with best practices.

Certification and education

The Certification Department handles the issuance of and changes to licences according to the *Real Estate Brokerage Act* that governs real estate and mortgage agencies and brokers authorized by the OACIQ. It also processes the applications of future licence holders. These operations are conducted in accordance with a strict regulatory framework with which applicants must comply. A total of 1,819 licence applications were processed in the course of the year. As at December 31, OACIQ licence holders numbered 16,231.

Certification examinations – 2017

The role of the Education Department is to ensure that the skills of professionals authorized by the OACIQ are optimal and regularly updated. This is done in two ways. The first is by ensuring that any candidate to an OACIQ certification examination has successfully completed a basic training program recognized by the OACIQ.

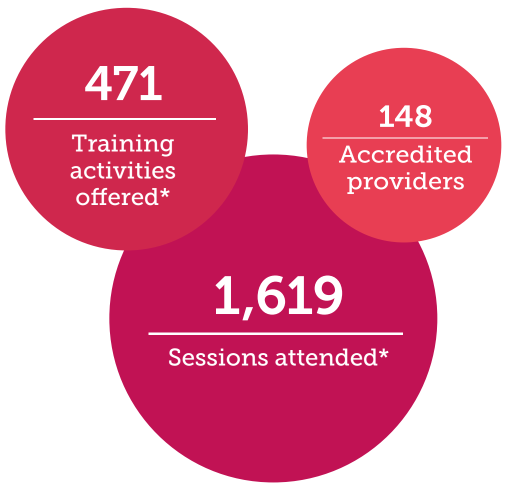
Among key achievements in this area is an increase of more than 11% in the total number of examinations, and the optimization of several internal processes. This year the OACIQ administered 1,873 examinations, held 20 exam sessions at its head office and 6 sessions in the region of Québec City. the Department has also reinforced professional ties with educational institutions, so that they can make changes to the training activities they provide based on evolving best practices.

The second is by developing and implementing a variety of training activities on topics such as ethics and accrediting training activities offered by third parties, to ensure that the skills of professionals authorized by the OACIQ are optimal and up-to-date. These training activities are offered in webinar, online, and live formats.

The first quarter of 2017 was marked by the end of the 2015-2017 cycle of the Mandatory Continuing Education Program (MCEP). Almost 110,000 continuing education units (CEUs) were granted during the last four months of the cycle. During this period, the OACIQ provided more than 270 training sessions. At the end of this first cycle, 165 licence holders had their licence suspended for failing to meet the requirements of the Program.

The second cycle of the MCEP has been in effect since May 1, 2017, and improvements have been made. To strengthen their skills, licence holders will have to complete three mandatory training activities developed and delivered by the Organization. These training activities will cover purchase brokerage, ethics and professional conduct and amendments to the *Real Estate Brokerage Act*. In addition, the minimum number of CEUs for agency executive officers has been increased to 24 units, in order to enhance their skills and enable them to better discharge their role as compliance officers with their brokers.

Continuing education activities



** Includes activities accredited by the OACIQ and those developed directly by the Organization.*

Inspection

The role of the Inspection Department is to oversee the activities and skills of professionals authorized by the **OACIQ**. During an inspection, the team verifies transactions, records, accounts, books and registers, then makes appropriate recommendations to ensure that activities and skills are in compliance with the *Real Estate Brokerage Act* and its regulations.

In 2017 the **OACIQ** conducted 403 inspections of real estate and mortgage agencies and brokers. **OACIQ** inspectors visited 343 establishments, including 197 agencies and brokers acting on their own account in residential real estate brokerage, 57 in commercial real estate brokerage, and 89 in mortgage brokerage.

Given the direct impact they have on public protection, inspections of broker skills have intensified. Thus the brokerage contract and transaction records completed by 1,972 brokers were the subject of a skills-based verification.

Some 1,586 online self-inspection questionnaires were completed by agencies and brokers acting on their own account. Answers were then analyzed to determine whether any intervention is needed to ensure that any risk is properly managed.

A close look was also taken at trust accounts to ensure that deposits are rigorously managed. Finally, 60 new agency executive officers or brokers acting on their own account took part in a start-up session to help them fulfil their role properly.

Skills-based verification

The brokerage contract and transaction records completed by 1,972 brokers were the subject of a skills-based verification. Thanks to the electronic document management (EDM) system implemented by some agencies, 1,564 of the 1,972 inspections were conducted remotely in 2017.

The inspector's observations and required improvements are recorded in a personal report sent to each broker inspected. They are specifically aimed at the way a broker maintains his records and carries out the transaction proposals he drafted and negotiated.

The inspection reports of inspected brokers are also sent to agency executive officers who must read them and ensure that the required improvements are respected by their brokers, because this has a direct impact on public protection.

Syndic

The Public Assistance Department and the Inspection Committee must notify the Syndic immediately if they have reason to believe that a violation to the *Real Estate Brokerage Act* has been committed by brokers or agencies, including their directors or executive officers. The Syndic will then investigate and determine whether a complaint should be filed with the OACIQ Discipline Committee. The Syndic recommends the imposition of deterrent and exemplary sanctions to protect the public.

During 2017, the Syndic implemented many measures that are part of the OACIQ strategic planning.

The Syndic has notably participated in the project of assisting persons who requested investigation by directing them to the indemnity services they could benefit from.

Moreover, during his investigations, the Syndic paid special attention to the role played by agency executive officers in transactions and the keeping of records, books and registers to make them more accountable for the duties they perform.

To process his paperless investigation files, the Syndic has implemented an electronic document management system.

Disciplinary investigations regarding brokers and agencies - 2017

320 Active at the beginning of the year	503 Received during the year
365 Closed during the year	458 Active at the end of the year

Illegal brokerage

When suspecting that a real estate or mortgage brokerage activity is carried out by a person who is not an OACIQ licence holder, an investigation is conducted. If the evidence shows that a brokerage activity was indeed carried out illegally, penal procedures are filed with the Court of Québec. The latter must decide on the guilt of the person concerned and the penalty to be imposed, if any.

Investigations of illegal brokerage – 2017

Active at the beginning of the year	115
Received during the year	115
Closed during the year	93
Active at the end of the year	137


Leadership

GOVERNANCE AND ADMINISTRATION

Board of Directors as at December 31, 2017

DIRECTORS ELECTED AMONG LICENCE HOLDERS (BY THEIR PEERS)

Michel Léonard
Chairman
Montréal

Georges Bardagi
Vice-Chairman
Montréal

Joël Charron
Western region

Mario Chouinard
Northeast region

Stéphanie Gauthier
Montréal

Mario Lamirande
Central region

Luc Mailloux
Québec City

Pierre Martel
Mortgage brokerage

Diane Ménard
Montréal

Jacques Métivier
Commercial real estate brokerage

DIRECTORS APPOINTED BY THE MINISTER OF FINANCE

Pierre Hamel (Treasurer)
Jacqueline Codsi
Nathalie Ebnoether

CORPORATE SECRETARY & GOVERNANCE OFFICER

Jean-François Savoie

OACIQ
inform + protect

FROM LEFT TO RIGHT:

SEATED:

Georges Bardagi, B.A.A., Marketing,
Certified Real Estate Broker

Michel Léonard, B. Comm., B.C.L., C.Dir

STANDING:

Claudie Tremblay, LL.B., Adm.A

Jacques Métivier,
Certified Real Estate Broker AEO

Nathalie Ebnoether, M.A.

Jean-François Savoie, LL.B.

Jacqueline Codsi, ASC, PCC

Pierre Hamel, ASA, ASC

Pierre Martel, CHA,
Real Estate Broker

Nadine Lindsay, LL.B., ASC, C.Dir.

Mario Lamirande,
Certified Real Estate Broker AEO

Mario Chouinard,
Real Estate Broker

Diane Ménard,
Certified Real Estate Broker AEO

Joël Charron,
Certified Real Estate Broker AEO

Luc Mailloux,
Certified Real Estate Broker

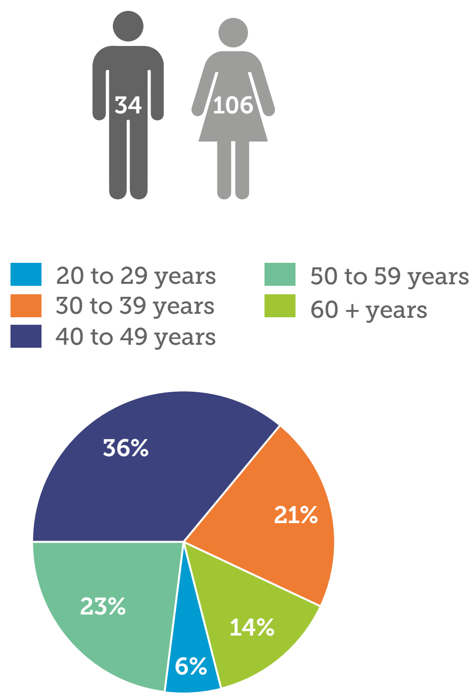
Stéphanie Gauthier,
Certified Real Estate Broker AEO

Human Resources

The **OACIQ** had 154 employees as at December 31, 2017. To maintain their expertise, employees have access to professional development programs. During the year, employees attended over 1,714 hours of training in 88 different activities.

At the **OACIQ**, we are committed to providing a healthy and stimulating work environment to all our employees, who are key players to our success. Many initiatives were completed in 2017, such as the revision and modernization of the code of ethics of employees, as well as the establishment of a training program for managers. A survey of employees revealed a high level of commitment from our staff, pledge of a desire to contribute to the evolution of the **OACIQ**.

Workforce distribution



Vacant positions: 14

REPORTS FROM THE STANDING COMMITTEES

The OACIQ enforces the *Real Estate Brokerage Act* and ensures that the professionals who are duly authorized to act by the Organization comply with their code of ethics. To do this, five committees were created under the Act and their mission is to protect members of the public in their real estate and mortgage transactions.

Comprised of a minimum of three and a maximum of nine members, including a Chair, the members of these committees are appointed by the OACIQ Board of Directors for a renewable three-year term. The only exception is the Discipline Committee, which is composed of at least 3 members, without a maximum, and its Chair and Vice-Chairs, who must be lawyers with at least 10 years of practice, are appointed by the Minister of Finance. These committees and their members are fully autonomous and independent form the Organization's Board of Directors and staff.

Inspection Committee

The Inspection Committee oversees broker and agency activities using an approach based on compliance verification and prevention. It helps improve professional practices, while having a direct impact on the profession's quality standards.

In 2017, inspectors visited 343 establishments in total, including 197 agencies and brokers acting on their own account in residential real estate brokerage, 57 in commercial real estate brokerage, and 89 in mortgage brokerage.

Recommendations

The Inspection Committee can make any recommendation it deems appropriate. In addition, if the Committee notes a violation to the *Real Estate Brokerage Act* or its regulations, it notifies the Syndic.

In 2017, the Committee and the Inspection Department issued 196 commitments, 99 of which included attending one or more training activities. This year, the two most common issues for a broker are:

- failing to disclose in writing to his clients his remuneration agreements with financial institutions regarding mortgage referrals; and
- failing to send to his agency the documents necessary to maintain the records and registers and supporting the information contained on detailed description sheets.

Most brokers who were imposed a training session had to attend the continuing education activity *Record documentation* or the one entitled *How to use the online land register.*

Other recommendations issued by the Committee to certain brokers or agency executive officers following inspections pertained mainly to two problems:

- receipt of remuneration when the broker was not entitled to;
- non-compliance with fiduciary clauses.

In 2017, 69 files were submitted to the Inspection Committee, 30 of which were forwarded to the Syndic or the Public Assistance Department, or both, for further investigation.

Inspections of agencies and brokers acting on their own account – 2017

- **1,972** Reports to brokers, skills-based
- **1,586** Self-inspection of agencies and brokers acting on their own account – online
- **343** Inspections, agencies and brokers acting on their own account – at their establishment
- **60** Start-up sessions

3,961 Total of inspections and self-inspections

Discipline Committee

The Discipline Committee reviews all complaints made against OACIQ licence holders for violations to the provisions of the *Real Estate Brokerage Act* and its regulations.

Decisions

The complaints heard by the Discipline Committee usually relate to serious offences. As at December 31, 2017, the OACIQ Syndic had filed 84 complaints with the Discipline Committee. During the year, the Committee held 142 hearings and rendered 156 decisions, of which 112 resulted in the following sanctions per violation count:

60	reprimands
199	fines, totalling $315,300
50	orders to attend a course or training session
11	cases with licence conditions or restrictions or other orders
198	licence suspensions (66 licence holders had their licence suspended for one or more suspension periods)

The *Real Estate Brokerage Act* allows for certain decisions by the Committee to be appealed before the Court of Québec. In 2017:

- 18 Discipline Committee decisions were appealed before the Court of Québec;
- 16 decisions were rendered by the Court of Québec on appeals of Discipline Committee decisions, 15 of which upheld the decisions made by the Committee;
- 1 decision rendered by the Court of Québec on an appeal of a Discipline Committee decision is currently undergoing judicial review before the Superior Court.

The various measures and procedures implemented led to a marked decrease in review and processing times:

- Files under review: 40 days in 2017 (53 in 2016);
- Processing before the Committee: the time lapse between the filing of the complaint and the decision on penalty was reduced by almost two months, from 507 days in 2016 to 449 days in 2017.

The number of trainings ordered as a sanction by the Discipline Committee increased significantly, from 29 in 2016 to 50 in 2017. The aim of this measure is to consolidate or improve certain aspects of broker practices and ensure the protection of the public.

Syndic Decision Review Committee

In a case where the Syndic decides not to file a complaint, the plaintiff may request an opinion from the Syndic Decision Review Committee. After reviewing the complete file as well as the applicant's and the Syndic's comments, the members of the Review Committee render a decision and issue an opinion.

In each opinion issued, the review committee may:

- conclude that the filing of a complaint before the Discipline Committee is not justified; or
- suggest that the Syndic complete the investigation and subsequently make a new ruling as to whether or not to file a complaint; or
- conclude that the filing of a complaint before the Discipline Committee is justified and suggest the appointment of an ad hoc syndic who, after investigating the case, will decide whether or not to file a complaint.

The Review Committee may also suggest that the Syndic refer the case to the Inspection Committee.

Decisions

In 2017, the committee met 5 times and issued 5 opinions in 5 cases, out of a total of 8 active files; 3 files were closed for administrative reasons.

Among the files reviewed in 2017, the Committee confirmed the Syndic's decision and concluded that there were no grounds to file a complaint before the Discipline Committee in 4 of these cases. In a file, the Committee concluded that a complaint before the Discipline Committee was justified and suggested the appointment of an ad hoc syndic.

Licence Issue and Maintenance Committee

The role of the Licence Issue and Maintenance Committee (LIMC) is to make decisions regarding the issuance or maintenance of a licence, for example where an applicant or a licence holder was found guilty of or pleaded guilty to a penal or disciplinary offence or a criminal act, or has assigned property. The Committee may also issue an opinion on the decision it could render if a person were to apply for a broker or agency licence, this before steps are taken regarding such an application.

Decisions

The Committee processed 106 cases over the course of 14 sessions in 2017. The Committee reviewed the cases of 53 individuals applying for a real estate or mortgage brokerage licence, the cases of 47 licence holders and 6 applications for advance decisions.

Excluding the situations concerning requests for opinion, the cases involved the following situations: 45 penal or disciplinary offences or criminal acts and 54 assignments of property.

Thus, the Committee rendered the following decisions:

- 45 licences issued without conditions or restrictions
- 3 licences issued with conditions or restrictions
- 32 licences maintained without conditions or restrictions
- 12 licences issued with conditions or restrictions
- 3 licences suspended
- 4 licences refused

The *Real Estate Brokerage Act* allows for certain decisions by the Committee to be appealed before the Court of Québec. In 2017, 1 decision of the LIMC was appealed.

Indemnity Committee

The Indemnity Committee decides on the eligibility of the claims submitted and on the amount of compensation to be paid by the Indemnity Fund. The Real Estate Brokerage Indemnity Fund (FICI) is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible. The maximum indemnity payable by the Committee from the indemnity fund for each brokerage transaction concerned by a claim is currently $35,000. (In this regard, read the second bullet on the right.)

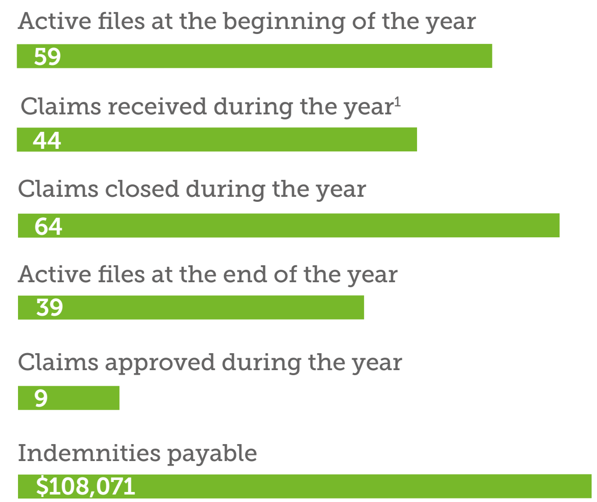
As at January 1, 2017, 59 cases were under review. The Indemnity Committee met 9 times in 2017, reviewing and processing 58 claims. Among the decisions rendered, the Committee approved 9 claims for 11 cases, for which a total amount of $108,071 was paid in compensation.

During the year, 40 new files were received and 4 were reopened following a request for review, usually alleging new facts. Another six files were closed for administrative reasons. As at December 31, 2017, 39 files were under review.

Highlights:

- Fewer indemnity claims were brought to our attention for the following reasons: there were no cases that generated a significant number of related claims. In addition, the mechanisms implemented by the Organization helped us target the assistance requests that can be submitted to the committee and simplify their processing.
- In November, a draft *Regulation to amend the Regulation respecting the Real Estate Indemnity Fund and determination of the professional liability insurance premium* was submitted to the Government for approval. The new proposed regulation provides, in particular, for an increase in the maximum compensation threshold, which will go from $35,000 to $100,000. It also provides that the period to file a claim would increase from one year to two years following knowledge of the alleged fraud.

Indemnity



[1] This figure includes new files and files reopened following a request for review.

FINANCIAL RESULTS

The fiscal year 2017 ended with an excess of revenue over expenses of $4,001,084. This excellent result is the culmination of many **OACIQ** initiatives related to its strategic directions, including the end of the first cycle of the Mandatory Continuing Education Program, the new investment policy, the increased use of electronic forms, the increase in the number of exam candidates and therefore the number of licences issued, as well as the sound expense management.

Process optimization, enhanced risk management and improved controls have also helped reduce expenses despite new projects that emerged, such as the revision of the Act, the entirely virtual Annual General Meeting and the Colloque immobilier where the **OACIQ** demonstrated its leadership.

This financial strength allows the Organization to play its public protection role, especially with new initiatives regarding the strengthening of supervision. With its internal capabilities and the evolution of its governance, the **OACIQ** is giving itself the means to be a trusted, credible and honest organization for all real estate stakeholders, while maintaining a secure net asset. The **OACIQ** doubled its net asset in 2 years; this surplus is added to the operating fund.


Competence

INDEPENDENT AUDITOR'S

REPORT

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TO THE BOARD OF DIRECTORS OF THE ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

We have audited the financial statements of the Organisme d'autoréglementation du courtage immobilier du Québec ("**OACIQ**"), which comprise the statement of financial position as at December 31, 2017 and the statements of income, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **OACIQ** as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for profit organizations.

PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.[1]

March 27, 2018

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[1] CPA auditor, CA, public accountancy permit No. A128779

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of financial position · As at December 31, 2017

	General Operating Fund	Indemnity Fund	Total 2017	General Operating Fund	Indemnity Fund	Total 2016
	$	$	$	$	$	$
ASSETS						
Current assets						
Cash	604,765	145,460	750,225	1,727,679	321,450	2,049,129
Investments (Note 3)	9,071,904	6,645,715	15,717,619	4,850,048	5,593,145	10,443,193
Accrued interest receivable	9,825	5,177	15,002	3,042	11,813	14,855
Accounts receivable (Note 4)	355,831	-	355,831	466,920	-	466,920
Interfunds advance (Note 5)	-	79,077*	-	-	173,237*	-
Forms inventory	117,171	-	117,171	153,244	-	153,244
Prepaid expenses	235,014	-	235,014	303,312	-	303,312
	10,394,510	6,875,429	17,190,862	7,504,245	6,099,645	13,430,653
Investment in a limited partnership (Note 6)	4,141,236	-	4,141,236	3,999,969	-	3,999,969
Capital assets (Note 7)	4,044,979	-	4,044,979	4,473,166	-	4,473,166
Intangible assets (Note 8)	67,664	-	67,664	148,879	-	148,879
	18,648,389	6,875,429	25,444,741	16,126,259	6,099,645	22,052,667
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (Note 9)	2,267,386	2,600	2,269,986	2,222,490	40,749	2,263,239
Interfunds advance (Note 5)	79,077*	-	-	173,237*	-	-
Provision for claims (Note 10)	-	245,792	245,792	-	324,608	324,608
Deferred revenue	5,337,827	323,345	5,661,172	5,665,512	321,280	5,986,792
	7,684,290	571,737	8,176,950	8,061,239	686,637	8,574,639
Deferred lease inducement, at net book value	2,641,506	-	2,641,506	2,852,827	-	2,852,827
	10,325,796	571,737	10,818,456	10,914,066	686,637	11,427,466
Commitments and contingencies (Notes 11 and 12)						
Net assets						
Invested in capital and intangible assets	1,471,137	-	1,471,137	1,769,218	-	1,769,218
Unrestricted	6,851,456	-	6,851,456	3,442,975	-	3,442,975
Indemnity Fund	-	6,303,692	6,303,692	-	5,413,008	5,413,008
	8,322,593	6,303,692	14,626,285	5,212,193	5,413,008	10,625,201
	18,648,389	6,875,429	25,444,741	16,126,259	6,099,645	22,052,667

* These amounts are not included in the "Total" column, as they cancel each other out.

Approved by the Board of Directors

Michel Léonard
Chairman of the Board of Directors

Pierre Hamel
Treasurer of the Board of Directors

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of changes in net assets · Year ended December 31, 2017

	General Operating Fund				
	Invested in capital and intangible assets	Internally restricted	Unrestricted	Indemnity Fund	Total
	$	$	$	$	$
Balance as at December 31, 2015	2,019,088	-	2,621,969	5,031,825	9,672,882
Excess (deficiency) of revenue over expenses	(375,557)*	(273,587)	1,220,280	381,183	952,319
Investment in capital and intangible assets	125,687 **	-	(125,687)	-	-
Internally restricted – Appendix	-	273,587	(273,587)	-	-
BALANCE AS AT DECEMBER 31, 2016	1,769,218	-	3,442,975	5,413,008	10,625,201
Excess (deficiency) of revenue over expenses	(341,852)	(829,972)	4,282,224	890,684	4,001,084
Investment in capital and intangible assets	43,771	-	(43,771)	-	-
Internally restricted – Appendix	-	829,972	(829,972)	-	-
Balance as at December 31, 2017	1,471,137	-	6,851,456	6,303,692	14,626,285

* Represents the amortization of capital and intangible assets of $553,173 ($586,878 in 2016), net of lease inducement amortization of $211,321 ($211,321 in 2016) for leasehold improvements.

** Represents the investment in capital and intangible assets of $43,771 ($125,687 in 2016).

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2017

	General Operating Fund	Indemnity Fund	Total 2017	General Operating Fund	Indemnity Fund	Total 2016
	$	$	$	$	$	$
REVENUE						
Licence maintenance	13,948,659	965,943	14,914,602	13,959,984	957,732	14,917,716
Issuance fees	1,079,076	-	1,079,076	957,859	-	957,859
Issuance file study	894,679	-	894,679	883,005	-	883,005
Administrative income – Certification	302,944	-	302,944	278,732	-	278,732
Continuing education – Appendix	2,271,600	-	2,271,600	1,697,462	-	1,697,462
Basic training and examinations – Appendix	1,333,249	-	1,333,249	1,157,614	-	1,157,614
Forms – Appendix	1,120,516	-	1,120,516	972,427	-	972,427
Discipline and syndic – Appendix	443,807	-	443,807	510,318	-	510,318
Illegal brokerage practices – Appendix	78,965	-	78,965	80,889	-	80,889
Outreach – Appendix	158,338	-	158,338	101,681	-	101,681
Management fees (Note 14)	237,287	-	237,287	275,079	-	275,079
Limited partnership, net income share (Note 6)	141,267	-	141,267	170,241	-	170,241
Investment income (Note 13)	236,222	197,852	434,074	44,759	79,857	124,616
Other revenues	27,206	80,354	107,560	59,837	44,814	104,651
	22,273,815	1,244,149	23,517,964	21,149,887	1,082,403	22,232,290

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2017 (continued)

	General Operating Fund	Indemnity Fund	Total 2017	General Operating Fund	Indemnity Fund	Total 2016
	$	$	$	$	$	$
EXPENSES						
Continuing education – Appendix	1,308,569	-	1,308,569	1,403,389	-	1,403,389
Basic training and examinations – Appendix	1,008,258	-	1,008,258	1,391,658	-	1,391,658
Forms – Appendix	331,423	-	331,423	335,882	-	335,882
Discipline and syndic – Appendix	1,656,085	-	1,656,085	3,328,472	-	3,328,472
Illegal brokerage practices – Appendix	187,380	-	187,380	344,005	-	344,005
Outreach – Appendix	988,310	-	988,310	375,268	-	375,268
Board of Directors and committees	446,325	38,644	484,969	822,628	25,487	848,115
Legal review	180,437	-	180,437	-	-	-
Contribution to the Ministère des Finances du Québec	166,836	-	166,836	253,709	-	253,709
Salaries and employee benefits	9,868,387	108,848	9,977,235	9,220,625	197,668	9,418,293
Training and membership fees	183,810	4,069	187,879	161,028	4,871	165,899
Travel	178,755	76	178,831	484,268	-	484,268
Occupancy expenses	995,200	6,434	1,001,634	1,095,303	6,056	1,101,359
Insurance	95,480	-	95,480	88,235	-	88,235
Amortization of capital and intangible assets (Notes 7 and 8)	379,717	-	379,717	246,395	-	246 395
Office expenses	272,234	10,216	282,450	242,087	32,245	274,332
Repair and maintenance	128,428	-	128,428	88,125	-	88,125
Professional fees	449,003	126,675	575,678	359,632	50,081	409,713
Financial expenses	338,778	29,248	368,026	338,042	21,411	359,453
Indemnities (note 15)	-	29,255	29,255	-	363,401	363,401
	19,163,415	353,465	19,516,880	20,578,751	701,220	21,279,971
EXCESS OF REVENUE OVER EXPENSES	3,110,400	890,684	4,001,084	571,136	381,183	952,319

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of cash flows · Year ended December 31, 2017

	General Operating Fund	Indemnity Fund	Total 2017	General Operating Fund	Indemnity Fund	Total 2016
	$	$	$	$	$	$
OPERATING ACTIVITIES						
Excess of revenue over expenses	3,110,400	890,684	4,001,084	571,136	381,183	952,319
Items not affecting cash:						
Realized and unrealized loss on investments (Note 13)	215,091	43,222	258,313	66,030	11,824	77,854
Limited partnership, net income share	(141,267)	-	(141,267)	(170,241)	-	(170,241)
Amortization of capital and intangible assets	553,173	-	553,173	586,878	-	586,878
Amortization of lease inducements	(211,321)	-	(211,321)	(211,321)	-	(211,321)
	3,526,076	933,906	4,459,982	842,482	393,007	1,235,489
Change in non-cash operating working capital items	(168,272)	(14,104)	(182,376)	(207,516)	(182,836)	(390,352)
	3,357,804	919,802	4,277,606	634,966	210,171	845,137
INVESTING ACTIVITIES						
Refund of advance in capital of a limited partnership (Note 6)	-	-	-	250,000	-	250,000
Acquisition of investments	(34,190,203)	(11,261,514)	(45,451,717)	(27,212,940)	(3,646,986)	(30,859,926)
Proceeds on sale of investments	29,753,256	10,165,722	39,918,978	25,600,138	3,556,410	29,156,548
Acquisition of capital and intangible assets	(43,771)	-	(43,771)	(125,687)	-	(125,687)
	(4,480,718)	(1,095,792)	(5,576,510)	(1,488,489)	(90,576)	(1,579,065)
Net increase (decrease) in cash	1,122,914	(175,990)	(1,298,904)	(853,523)	119,595	(733,928)
Cash, beginning of year	1,727,679	321,450	2,049,129	2,581,202	201,855	2,783,057
CASH, END OF YEAR	604,765	145,460	750,225	1,727,679	321,450	2,049,129

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to the financial statements · December 31, 2017

1. Incorporation and nature of activities

The Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"), incorporated under the *Real Estate Brokerage Act* (R.S.Q., c. C-73.2) (the "Act"), has a primary role in protecting the public in real estate and mortgage brokerage dealings by enforcing rules of professional conduct and by inspecting the activities of brokers and agencies mainly by ensuring that the professional activities engaged in by brokers and agencies are in compliance with the Act.

It may also provide training courses for brokers and agency executive officers, with the exception of basic training courses, and award the titles referred to in Section 48 of the Act.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the OACIQ becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are recognized at fair value at the balance sheet date. The fair value of investments is based on quoted bid prices. Fair value fluctuations, interest earned, accrued interest, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in excess of revenue over expenses as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the OACIQ recognizes in excess of revenue over expenses an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to excess of revenue over expenses in the period the reversal occurs.

2. Accounting policies (continued)

Fund accounting

The General Operating Fund is used for all current operations of the OACIQ. Revenue and expenses related to services and administration are presented in the General Operating Fund.

The Real Estate Indemnity Fund ("Indemnity Fund") is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or an agency is responsible. This fund is established in accordance with Section 108 of the Act. The assets of the Indemnity Fund are not part of the OACIQ's General Operating Fund assets and may not be used to fulfill the OACIQ's obligations.

Revenue recognition

The OACIQ follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Forms inventory

The forms inventory held for sale is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the regular course of business less the estimated costs necessary to make the sale.

Capital and intangible assets

Capital and intangible assets are recorded at cost and are amortized based on their estimated useful life using the straight-line method over the following terms:

Computer equipment	3 years
Software and licence	3 years
Office equipment	4 years
Furniture	4 to 20 years
Leasehold improvements	Term of the lease

Impairment of long-lived assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying value of the assets to the estimated value of future cash flows directly related to the use of the assets. Impaired assets are recorded at their fair value, which is determined primarily by using estimates of discounted future cash flows directly related to the use and eventual disposal of the assets.

Controlled entity

The OACIQ holds the right to appoint all members of the board of the Fonds d'assurance responsabilité professionnelle (FARCIQ). The FARCIQ, considered as a separate non-profit entity for accounting purposes, has the mission to provide professional liability insurance for real estate brokers of Quebec, and the end date of its fiscal year is December 31. The FARCIQ is considered a non-profit organization for tax purposes. Since the benefits and advantages of the FARCIQ are reserved for members participating in the FARCIQ, they are not included in the financial statements of the OACIQ but are briefly presented in Note 14.

2. Accounting policies (continued)

Investment in a limited partnership

The OACIQ holds a 50% interest in a limited partnership that owns the building that the OACIQ uses for its activities.

The OACIQ has decided to account for its investment in a limited partnership using the equity method, adjusted for amortization of the rental property calculated using the straight-line method over a period of 40 years.

Under the equity method, the OACIQ initially records the investment at cost and then adjusts the carrying value by including the limited partnership's pro rata share of post-acquisition income computed by the consolidation method. The OACIQ includes the share of income in determining its net income and increases or decreases the balance of its "Investment" account. Profit distributions received from an investee reduce the carrying value of the investment. The share in balance sheet items is not recognized by the OACIQ in the statement of financial position, but is disclosed in Note 7 "Investment in a limited partnership".

The OACIQ recognizes an impairment loss, if any, in excess of revenue over expenses when it determines that a significant adverse change has occurred during the period in the expected timing or amount of the investee's future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in excess of revenue over expenses in the period the reversal occurs.

Deferred revenue

Revenue from annual fees from licence holders is charged to the statement of income on a monthly basis over the duration of the broker licences, which is 12 months. In accordance with Section 22 of the Regulation respecting the issue of broker's and agency licences, they are not refundable to licence holders and they will be applicable on the income of the next year-end.

Deferred lease inducement

The deferred lease inducement represents the amounts collected from the landlord as lease inducements made up of an allowance for leasehold improvements and free rent. This allowance is amortized on a straight-line basis over the original term of the lease, which expires in July 2030, i.e., 20 years. Amortization is applied against occupancy expenses in the statement of income.

Income taxes and other taxes

As a not-for-profit organization for income tax purposes, the OACIQ is not subject to income taxes.

Disclosure of allocated expenses

A unique coding system is used for each of the OACIQ's services and activities. The OACIQ's general support expenses and overhead are allocated as follows:

Proportionately on the basis of hours allocated to the activity by human resources:

- Salaries
- Employee benefits

2. Accounting policies (continued)

Disclosure of allocated expenses (continued)

Proportionately on the basis of number of employees:

- Amortization of capital and intangible assets
- Insurance
- Repair and maintenance
- Printing and photocopy
- Stationery
- Computer supplies
- Telecommunications

Proportionately on the basis of square footage occupied by the department:

- Rent
- Amortization of leasehold improvements
- Amortization of rent allocation

Proportionately on the basis of user services:

- Forms cost
- Information sources
- Trainings and membership fees
- Attendance fees
- Travel
- Hall rental
- Legal expenses
- Advertising
- Professional fees
- Gift
- Financing expenses

The amounts charged to the various activities are presented in the statement of income and in the Appendix.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standareds for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the allowance for doubtful accounts in respect of receivables, the estimated useful life of capital and intangible assets, the provision for claims and accrued liabilities. Actual results could differ from these estimates.

3. Investments

General Operating Fund investments consist of provincial bonds, which earn interest at 4.20% (0.46% to 4.40% in 2016), and mature in June 2020, and fund obligations, shares and other securities.

Indemnity Fund investments consist of provincial and municipal bonds, which earn interest from 2.10% to 5.00% (0.48% to 5.00% in 2016), and mature between September 2018 and January 2023, and fund obligations, shares and other securities

Investments are short-term because they are redeemable at any time.

3. Investments (continued)

	2017		2016	
	General Operating Fund	Indemnity Fund	General Operating Fund	Indemnity Fund
	$	$	$	$
Cost of bonds	7,223,010	5,142,297	4,883,694	5,479,992
Cost of shares fund and other securities	1,934,668	1,386,626	-	-
	9,157,678	6,528,923	4,883,694	5,479,992
Bonds at fair value	7,122,395	5,279,232	4,850,048	5,593,145
Cost of shares fund and other securities	1,949,509	1,366,483	-	-
	9,071,904	6,645,715	4,850,048	5,593,145

4. Accounts receivable

	2017	2016
	$	$
General Operating Fund		
Trade	377,884	643,501
Allowance for doubtful accounts	(83,202)	(191,994)
	294,682	451,507
Sales taxes	61,149	15,413
	355,831	466,920

5. Interfunds advance

Interfunds advance is non-interest-bearing.

6. Investment in a limited partnership

The **OACIQ**'s share in a limited partnership's net assets as at December 31, 2017 is as follows:

	2017	2016
	$	$
BALANCE SHEET		
Assets		
Rental property, at cost	10,478,366	10,478,366
Other assets	1,850,490	2,063,656
	12,328,856	12,542,022
Liabilities		
Bank loans	8,668,919	8,944,834
Other liabilities	94,330	474,199
	8,763,249	9,419,033
Net equity	3,565,607	3,122,989
	12,328,856	12,542,022

The OACIQ's share in a limited partnership's net income for the year ended December 31, 2017 is as follows:

	2017	2016
STATEMENT OF INCOME		
Revenue	1,478,569	1,539,885
Expenses	1,035,951	1,068,293
Income before amortization	442,618	471,592
Amortization	(301,351)	(301,351)
Limited partnership, net income share	141,267	170,241

The OACIQ's share in a limited partnership's cash flows for the year ended December 31, 2017 is as follows:

	2017	2016
Cash flows		
Operating activities	178,465	461,362
Investing activities	(22,500)	(6,865)
Financing activities	(293,856)	(529,378)
	(137,891)	(74,881)

The financial statements of the limited partnership are prepared in accordance with Canadian accounting standards for private enterprises. There are no material differences resulting from the application of different accounting standards between the limited partnership and the **OACIQ**, except for the fact that the limited partnership did not recognize any amortization expense during the year.

There were no transactions between these two parties except for the payment of the $1,984,681 lease and related costs in 2017 ($1,961,683 in 2016). An amount of 9,004 is included in accounts payable ($19,060 in 2016). Related party transactions occurred in the normal course of operations and were measured at the exchange amount.

The total value of the investment in a limited partnership as at December 31, 2017 is as follows:

	2017	2016
	$	$
Balance, beginning of year	3,999,969	4,079,728
Refund of advance in capital	-	(250,000)
Share of net income after amortization	141,267	170,241
Balance, end of year	4,141,236	3,999,969

7. Capital assets

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General Operating Fund				
Computer equipment	197,787	130,728	67,059	100,096
Office equipment	74,169	51,692	22,477	41,260
Telephone equipment	23,704	20,255	3,449	25,514
Furniture	1,977,815	1,080,469	897,346	1,017,612
Leasehold improvements	4,764,477	1,709,829	3,054,648	3,288,684
	7,037,952	2,992,973	4,044,979	4,473,166

Amortization of capital and intangible assets for the year ended December 31, 2017 amounts to $553,173 ($586,878 in 2016), of which $379,717 ($246,395 in 2016) is presented separately in the statement of income of the General Operating Fund. The remaining balance is allocated to the cost centres of the General Operating Fund.

8. Intangible assets

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General Operating Fund				
Software and licence	169,558	101,894	67,664	148,879

9. Accounts payable and accrued liabilities

			2017
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	498,752	-	498,752
Accrued liabilities	310,560	2,600	313,160
Salaries and vacations payable	1,228,579	-	1,228,579
Government remittances payable	229,495	-	229,495
	2,267,386	2,600	2,269,986

			2016
	General OperatingFund	Indemnity Fund	Total
	$	$	$
Accounts payable	320,765	-	320,765
Accrued liabilities	215,175	40,749	255,924
Salaries and vacations payable	1,199,973	-	1,199,973
Government remittances payable	486,577	-	486,577
	2,222,490	40,749	2,263,239

10. Provision for claims

Upon receipt of a claim duly sworn, the Indemnity Fund's policy is to recognize a provision of 25% of the amount claimed. Since May 1, 2010, the maximum compensation payable from the Fund is $35,000, whereas before, the amount was $15,000. This provision is maintained until the final decision of the Indemnity Committee.

11. Commitments

The OACIQ is committed for the rental of office space from the limited partnership that owns the building in which the OACIQ operates under a lease that expires in July 2030. In addition, the OACIQ has various commitments, particularly under the lease for vehicles, expiring between September 2017 and October 2018. Minimum future rent payments aggregate to $27,065,410 and include the following amounts due over the next five years:

	$
2018	1,995,080
2019	1,981,445
2020	2,038,309
2021	2,117,919
2022	2,117,919

12. Contingencies

In the normal course of business, the OACIQ is involved in various claims. Though the outcome of these various pending claims as at December 31, 2017 cannot be determined with certainty, OACIQ management believes that their outcomes will have no significant adverse effects on the OACIQ's financial position, operating results or cash flows.

13. Investment income

	2017			2016		
	General Operating Fund	Indemnity Fund	Total	General Operating Fund	Indemnity Fund	Total
	$	$	$	$	$	$
Reinvested revenue	232,914	164,436	397,350	-	-	-
Interest revenues	218,399	76,638	295,037	110,789	91,681	202,470
Realized gain (loss) on investments	(117,963)	(46,861)	(164,824)	(32,384)	(124,915)	(157,299)
Unrealized gain (loss) on investments	(97,128)	3,639	(93,489)	(33,646)	113,091	79,445
	(215,091)	(43,222)	(258,313)	(66,030)	(11,824)	(77,854)
INVESTMENT INCOME	236,222	197,852	434,074	44,759	79,857	124,616

14. OACIQ's Professional Liability Insurance Fund (FARCIQ)

The summary financial statements as at December 31, 2017 of the FARCIQ are as follows:

	2017	2016
	$	$
Balance sheet		
Assets	58,394,622	57,412,050
Liabilities	16,303,897	17,267,229
Accumulated surplus	42,090,725	40,144,821
	58,394,622	57,412,050
Statement of income		
Revenue	7,047,239	5,697,406
Expenses	6,100,635	5,780,178
Earnings (loss) for the year	946,604	(82,772)
Unrealized gain on available-for-sale securities	1,747,614	766,476
Portion reclassified to income from available-for-sale securities	(748,314)	666,065
Comprehensive income	1,945,904	1,349,769
Cash flows		
Operating activities	(678,617)	(466,953)
Investing activities	142,780	64,032

The financial statements of the **FARCIQ** are prepared in accordance with International Financial Reporting Standards ("IFRS"). With respect to the application of accounting policies, the main difference between the **FARCIQ** and the **OACIQ** concerns the measurement and disclosure of financial instruments. The **FARCIQ** complies with IFRS disclosure requirements, while the **OACIQ** complies with Part III of the *CPA Canada Handbook – Accounting*.

During the year, the **OACIQ** received from the **FARCIQ** management fees and sponsorship fees totalling $73,409 ($143,287 in 2016), and occupancy expenses for an amount of $110,323 ($104,117 in 2016). These amounts are in addition to expense reimbursement totalling $148,416 ($239,745 in 2016). These transactions were carried out in the ordinary course of business and were measured at the exchange amount agreed to by the parties. As at December 31, 2017, an amount of $13,803 is included in accounts receivable ($3,838 in 2016) in connection with these transactions. Accounts payable and accrued liabilities include an amount payable of $8,153 ($9,715 in 2016) for the premiums collected by the **OACIQ** for the **FARCIQ**.

15. Indemnity funds

	2017	2016
	$	$
Indemnities paid during the exercise	**108,071**	371,851
Net variation of the indemnity provision	**(78,816)**	(8,450)
	29,255	363,401

16. Financial instruments

Market risk

Market risk is the risk that the fair value or future cash flows of the **OACIQ**'s financial instruments will fluctuate because of changes in market prices. Market risk comprises interest rate risk and other price risk. The **OACIQ** is exposed to this risk, as described below:

i) Interest rate risk

Investments bear interest at fixed rates. Consequently, a change in the market interest rate will have an impact on the fair value of the investments.

ii) Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The OACIQ's exposure to this risk arises from its investments in quoted equity instruments.

Credit risk

The **OACIQ** extends credit to licence holders in the normal course of business. Ongoing credit checks are conducted, and the statement of financial position includes an allowance for doubtful accounts.

In addition, credit risk arises because the **OACIQ** holds investments in bonds. Therefore, there is a risk that a bond issuer could fail to meet its obligations toward the **OACIQ**, which would affect the assets of the **OACIQ**.

Liquidity risk

The **OACIQ**'s objective is to have sufficient liquidity to meet its liabilities when due. The **OACIQ** monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2017, the most significant financial liabilities are accounts payable and accrued liabilities.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

APPENDIX

Revenue and expenses · Year ended December 31, 2017

	2017	2016
	$	$
CONTINUING EDUCATION		
Revenue		
Continuing education	2,271,600	1,697,462
Direct expenses		
Salaries and employee benefits	798,469	881,674
Training and membership fees	-	1,122
Travel	38,390	74,113
Occupancy expenses	160,232	164,274
Insurance	9,424	6,718
Amortization of capital and intangible assets	45,782	18,564
Office expenses	68,512	10,349
Repairs and maintenance	17,129	11,243
Professional fees	128,282	200,946
Financing expenses	42,349	34,386
	1,308,569	1,403,389
Excess of revenue over expenses	963,031	294,073
BASIC TRAINING AND EXAMINATIONS		
Revenue		
Revenue related to basic training and examinations	1,333,249	1,157,614
Direct expenses		
Salaries and employee benefits	737,779	1,088,662
Training and membership fees	-	1,046
Travel	1,860	45,141
Occupancy expenses	153,654	186,634
Insurance	7,439	6,718
Amortization of capital and intangible assets	39,943	25,989
Office expenses	28,613	8,142
Repairs and maintenance	10,206	8,874
Professional fees	3,773	159
Financing expenses	24,991	20,293
	1,008,258	1,391,658
Excess (deficiency) of revenue over expenses	324,991	(234,044)

APPENDIX (CONTINUED)

Revenue and expenses · Year ended December 31, 2017 (continued)

	2017	2016
	$	$
FORMS		
Revenue		
Sales of forms	1,120,516	972,427
Direct expenses		
Forms	217,063	240,496
Salaries and employee benefits	-	39,639
Office expenses	17,528	-
Professional fees	75,828	38,706
Financing expenses	21,004	17,041
	331,423	335,882
Excess of revenue over expenses	789,093	636,545
DISCIPLINE AND SYNDIC		
Revenue		
Fines and disbursements	443,807	510,318
Direct expenses		
Salaries and employee benefits	578,600	1,821,713
Board of Directors and committees	169,131	715,774
Training and membership fees	-	20,204
Travel	55,368	32,920
Occupancy expenses	282,089	307,524
Insurance	13,368	13,437
Amortization of capital and intangible assets	72,616	54,331
Office expenses	120,806	186,588
Repairs and maintenance	18,341	15,948
Professional fees	337,447	153,291
Financing expenses	8,319	6,742
	1,656,085	3,328,472
Deficiency of revenue over expenses	(1,212,278)	(2,818,154)

APPENDIX (CONTINUED)

Revenue and expenses · Year ended December 31, 2017 (continued)

	2017	2016
	$	$
ILLEGAL BROKERAGE PRACTICES		
Revenue		
Penalties received	78,965	80,889
Direct expenses		
Salaries and employee benefits	90,892	227,876
Training and membership fees	-	10,219
Travel	6,958	-
Office occupancy	9,419	10,244
Insurance	891	1,792
Amortization of capital and intangible asets	3,527	4,950
Office expenses	3,092	2,020
Repairs and maintenance	1,223	1,063
Professional fees	69,898	84,655
Financing expenses	1,480	1,186
	187,380	344,005
Deficiency of revenue over expenses	(108,415)	(263,116)
OUTREACH		
Revenue		
Outreach	158,338	101,681
Direct expenses		
Outreach	416,340	240,470
Salaries and employee benefits	237,457	94,962
Travel	59,150	3,122
Office occupancy	64,334	-
Insurance	2,228	4,478
Amortization of capital and intangible assets	11,588	-
Office expenses	86,431	25,829
Repairs and maintenance	1,429	1,243
Professional fees	97,262	2,759
Financing expenses	12,091	2,405
	988,310	375,268
Deficiency of revenue over expenses	(829,972)	(273,587)

The Outreach Fund of the **OACIQ** was established in accordance with Section 47 of the Act. The Fund must be used in particular to produce and disseminate information on the public's rights in real estate brokerage and to promote the quality of services provided by brokers and agencies.


Integrity

ANNUAL REPORT 2017

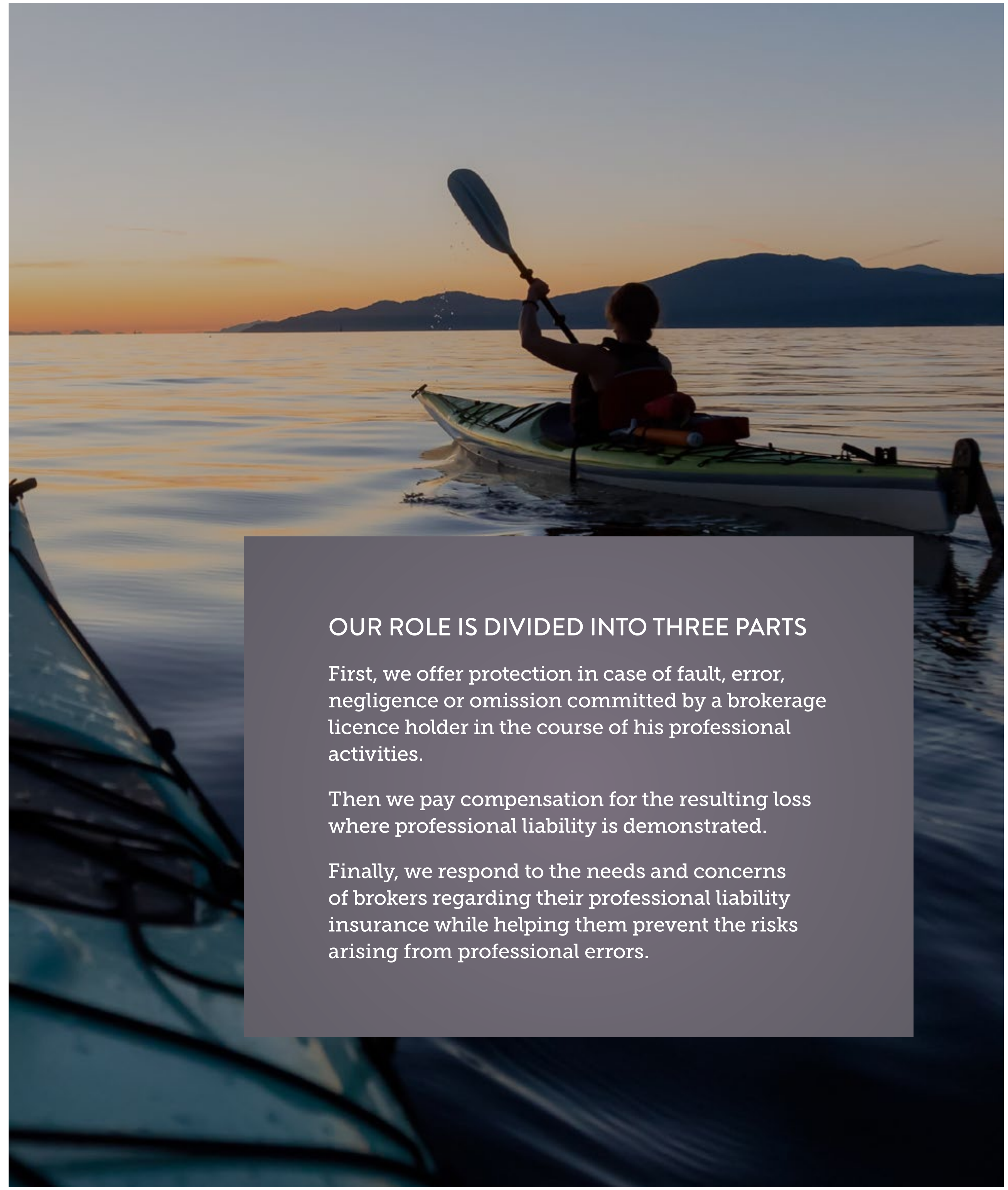
FARCIQ

Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec

TABLE OF CONTENTS

OUR MISSION

Protect our policyholders' assets through professional liability insurance.



OUR ROLE IS DIVIDED INTO THREE PARTS

First, we offer protection in case of fault, error, negligence or omission committed by a brokerage licence holder in the course of his professional activities.

Then we pay compensation for the resulting loss where professional liability is demonstrated.

Finally, we respond to the needs and concerns of brokers regarding their professional liability insurance while helping them prevent the risks arising from professional errors.

FARCIQ DIRECTORS

As at December 31, 2017

CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Martin Dupras, A.S.A., F. Pl., M. Tax., ASC
President of ConFor financiers inc.
Chair of the Governance Committee and member of the Audit Committee, the Professional Ethics Committee, the Investments Committee and the Claims and Prevention Committee

VICE-CHAIR OF THE BOARD OF DIRECTORS

Mrs. Christiane St-Jean, ASC
Certified Real Estate Broker and Agency Executive Officer
President of RE/MAX ACCÈS inc.
Member of the Professional Ethics Committee

TREASURER

Mr. Bernard Deschamps, MPA, CPA, CMA, ASC
President and Chief Executive Officer of the Mutuelle des municipalités du Québec
Chair of the Audit Committee,
Chair of the Investments Committee,
Member of the Governance Committee

DIRECTORS

Mr. Xavier Lecat, ASC
Real Estate Broker, L'Expert Immobilier PM enr.
Member of the Audit Committee and the Investments Committee

Mrs. Christine Lemieux, B.B.A., AMP
Certified Real Estate Mortgage Broker and Agency Executive Officer
President of Dominion-Phénix Lending Centres
Member of the Claims and Prevention Committee

Mr. Louis-Georges Pelletier, ASC
Chair of the Prevention and Claims Committee,
Member of the Governance Committee

Me Marc Simard, ASC
Partner, Bélanger Sauvé
Chair of the Professional Ethics Committee,
Member of the Governance Committee

FROM LEFT TO RIGHT:

Standing:
Alain Chouinard
Louis-Georges Pelletier
Christine Lemieux
Marc Simard
Xavier Lecat

Seated:
Bernard Deschamps
Martin Dupras
Christiane St-Jean


Assisting

MESSAGE FROM THE **CHAIRMAN OF THE BOARD OF DIRECTORS**

We are pleased to present the results of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (**FARCIQ**) for the year ended December 31, 2017. The results are stable, reassuring and positive.

Stability and strength

Stability and strength are evident in the governance of **FARCIQ**, which has a clear and common vision of the sound and balanced management of assets and liabilities. Stability is also shown by the insurance premium that has not been increased, and the number of policyholders that has remained the same.

Strict management

This year, the total cost of indemnities paid to claimants jumped to $2.5 million, more than double the amount of last year. Thanks to the good financial health of the Insurance Fund, we can be reassured about our ability to meet our future professional liability claim management obligations. However, caution is still required.

In 2017, **FARCIQ** processed 650 new claims, a slight increase compared to 614 last year. Prevention efforts have been and will also be made in the coming years to educate policyholders on the consequences arising from a claim, especially to help them adopt prudent behaviours to avoid potential disputes. An advantage for us all.

The fiscal year 2017 ended with operating earnings of $946,604 and a comprehensive income of $1,945,904 from the anticipated (but unrealized) return on our investments. This brings the accumulated surplus to $42,090,725. These positive results reflect the rigorous management of **FARCIQ**'s finances.

"THANKS TO THE GOOD FINANCIAL HEALTH OF THE INSURANCE FUND, WE CAN BE REASSURED ABOUT OUR ABILITY TO MEET OUR FUTURE PROFESSIONAL LIABILITY CLAIM MANAGEMENT OBLIGATIONS."

Bill 141, which was tabled during the year, could bring a wind of change, especially in connection with the governance of FARCIQ, if passed. We remain on the lookout for developments and will seamlessly assist policyholders at each step of this potential change to ensure that everyone is well informed.

In the course of 2017, we were audited by the AMF as part of its usual and ongoing supervision to ensure that the compliance guidelines are adhered to. Our assessment of the interpretation of the monitoring report issued is positive.

In closing, I would like to thank all the members of the Fund's Board of Directors, as well as the General Manager for their commitment, rigour and support.

The Chairman of the Board of Directors,

Mr. Martin Dupras, A.S.A., F. Pl., M. Tax., ASC

MANAGEMENT REPORT FROM **THE GENERAL MANAGER**

FARCIQ: A committed and engaged insurer

FARCIQ is pleased to present its results for 2017, a year of action focused on prevention, proactivity and our ongoing commitments.

FARCIQ has been insuring real estate professionals in Québec for over 10 years. Over the years, we have worked hard to provide insurance coverage that meets the needs and challenges of the profession. It is essential for policyholders, both in terms of their professional liability and the protection of their assets.

Our commitment to policyholders is more than ever the focus of our efforts. A commitment that is reflected, among other things, by the subsidy of the insurance premium, which helps maintain the cost and by our supporting role at all the stages of the processing of a real or potential claim. The satisfaction survey of policyholders testifies to and reflects this commitment, a great value for the organization.

Prevention

Prevention is an integral part of the **FARCIQ**'s mission and we have been communicating more with policyholders for several years. In addition to informing them about their insurance coverage and the risks of the profession, we advise them to adopt prudent behaviours to avoid potential professional liability disputes.

The year 2017 was proactive and loaded with projects:

- Launching the first free online training entitled "To better protect yourself: Record, document and keep", which was completed by more than 3,200 policyholders;
- Revamping the website and improving the "Members Area" platform reserved for policyholders only;
- Participating in more than 10 industry events as a special partner or exhibitor;
- Delivering a presentation dedicated exclusively to agency executive officers at the Colloque immobilier of the **OACIQ**;

Me ALAIN CHOUINARD
General Manager

- Offering 5 conferences to Québec real estate boards;
- Publishing capsules and articles in the PRO@CTIVE on a regular basis;
- Sending insurance kits to all new brokers.

The **FARCIQ** has implemented a prevention plan through the addition of a new resource, in order to meet the high demand of policyholders in terms of trainings, interventions and prevention tools. Our presence in the industry will be boosted in the coming year and will allow collaboration between different real estate brokerage stakeholders to better understand the reality, broaden our vision and adjust to the challenges facing the profession that could affect professional liability.

I would also like to thank all the employees of **FARCIQ** and the Board of Directors for their professionalism, involvement and commitment that contribute to the fulfilment of our mission.

General Manager

M^e^ Alain Chouinard, MBA

“OUR PRESENCE IN THE INDUSTRY WILL BE BOOSTED IN THE COMING YEAR AND WILL ALLOW COLLABORATION BETWEEN DIFFERENT REAL ESTATE BROKERAGE STAKEHOLDERS.”


Preventing

INDEPENDENT AUDITOR'S

REPORT

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Montréal, Quebec
H3B 4Y1
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https://www.pwc.com/ca/en

TO THE ADMINISTRATOR OF FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

We have audited the accompanying financial statements of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the "Fund"), which comprise the statement of financial position as at December 31, 2017 and the statements of income and comprehensive income, changes in accumulated surplus and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.[1]

February 20, 2018

[1] CPA auditor, CA, public accountancy permit No. A125840

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Financial Position – As at December 31, 2017

(expressed in Canadian dollars)

	2017	2016
	$	$
Assets		
Cash	543,805	839,901
Treasury bills (interest rate of 0.98% (0.46% as at December 31, 2016) and banker's acceptance	324,501	499,400
Investments (note 4)	55,316,608	53,552,782
Investment income receivable	234,821	227,805
Premiums and other receivables (note 14)	156,292	74,875
Amount recoverable from reinsurers for claims liabilities (note 9)	1,098,000	1,471,000
Deductibles recoverable from policyholders for claims liabilities	683,665	693,424
Prepaid expenses	31,120	21,509
Property, plant and equipment (note 7)	5,810	3,980
Intangible assets (note 8)	-	27,374
	58,394,622	57,412,050
Liabilities		
Accounts payable and accrued liabilities	261,135	222,965
Amount due to the OACIQ (note 13)	13,803	3,838
Unearned premiums	1,885,294	1,927,002
Claims liabilities (note 9)	14,143,665	15,113,424
	16,303,897	17,267,229
Accumulated surplus		
Accumulated surplus, end of year	39,895,321	38,948,717
Accumulated other comprehensive income	2,195,404	1,196,104
	42,090,725	40,144,821
	58,394,622	57,412,050

Commitments (note 16)

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

Martin Dupras
Chairman

Bernard Deschamps
Treasurer

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Income and Comprehensive Income · For the year ended December 31, 2017

(expressed in Canadian dollars)

	2017	2016
	$	$
Revenues		
Earned premiums (note 11)	5,621,255	5,650,999
Reinsurance premiums ceded (note 11)	(407,700)	(414,700)
Net earned premiums	5,213,555	5,236,299
Expenses		
Claims and loss adjustment expenses	4,799,715	4,209,970
General expenses	1,300,920	1,570,208
	6,100,635	5,780,178
Underwriting (loss) profit	(887,080)	(543,879)
Investment and other income (note 4)	1,833,684	461,107
Net income (loss) for the year	946,604	(82,772)
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Unrealized gain on available-for-sale securities	1,747,614	766,476
Portion reclassified to income from available-for-sale securities	(748,314)	666,065
Other comprehensive income for the year	999,300	1,432,541
COMPREHENSIVE INCOME	1,945,904	1,349,769

The accompanying notes are an integral part of these financial statements.

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Changes in Accumulated Surplus · For the year ended December 31, 2017

(expressed in Canadian dollars)

			2017	2016
	Accumulated surplus	Accumulated other comprehensive income	Net amount	Net amount
	$	$	$	$
Balance – Beginning of year	38,948,717	1,196,104	40,144,821	38,795,052
Net income (loss) for the year	946,604	-	946,604	(82,772)
Other comprehensive income	-	999,300	999,300	1,432,541
BALANCE – END OF YEAR	39,895,321	2,195,404	42,090,725	40,144,821

The accompanying notes are an integral part of these financial statements.

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Cash Flows · For the year ended December 31, 2017

(expressed in Canadian dollars)

	2017	2016
	$	$
Cash flows from (used in)		
Operating activities		
Net income (loss) for the year	946,604	(82,772)
Adjustments for		
Amortization of property, plant and equipment	2,018	2,805
Amortization of intangible assets	27,374	40,420
Amortization of premiums and investment discounts	199,333	205,801
Loss (gain) on disposal of investments	(748,314)	666,065
Income on reinvested dividends	(362,173)	(339,766)
	64,842	492,553
Change in non-cash working capital items		
Investment income receivable	(7,016)	(33,182)
Premiums and other receivables	(81,417)	30,264
Prepaid expenses	(9,611)	11,802
Amount recoverable from reinsurers for claims liabilities	373,000	146,000
Deductibles recoverable from policyholders for claims liabilities	9,759	(68,702)
Accounts payable and accrued liabilities	38,170	(80,143)
Amount due to the OACIQ	9,965	(13,495)
Unearned premiums	(41,708)	(4,199)
Claims liabilities	(969,759)	(455,298)
	(678,617)	(466,953)
Investing activities		
Acquisition of capital assets	(3,848)	-
Acquisition of investments	(24,555,350)	(34,057,006)
Proceeds on disposal of investments	24,701,978	34,121,038
	142,780	64,032
Net change in cash and cash equivalents during the year	(470,995)	89,632
Cash and cash equivalents – Beginning of year	1,339,301	1,249,669
Cash and cash equivalents – End of year	868,306	1,339,301
Cash and cash equivalents consist of the following:		
Cash	543,805	839,901
Treasury bills and banker's acceptance	324,501	499,400
	868,306	1,339,301

The accompanying notes are an integral part of these financial statements.

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to Financial Statements · December 31, 2017
(expressed in Canadian dollars)

1. Incorporation and nature of operations

Governed by the Insurance Act, the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (**FARCIQ**) ("Insurance Fund" or "Corporation") was incorporated by Quebec's self-regulatory body for real estate brokers, the Organisme d'autoréglementation du courtage immobilier du Québec (**OACIQ**). The **OACIQ** obtained its insurer permit on July 4, 2006, and the Insurance Fund started operations on July 21, 2006. Its mission is to provide professional liability insurance for all agencies and real estate and mortgage brokers in Quebec. The Insurance Fund's head office is located at 4905 Lapinière Blvd., Suite 2800, Brossard, Quebec, Canada. **FARCIQ** is not subject to the *Income Tax Act*.

2. Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") in force on the date of publication. These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 20, 2018.

The Insurance Fund uses a liquidity presentation for its statement of financial position.

3. Main accounting policies

Insurance contracts

Insurance contracts are contracts that, at their effective date, transfer significant insurance risk. Insurance risk is transferred when the Corporation agrees to compensate a policyholder if an uncertain future event specified in the contract adversely affects the policyholder. All contracts issued by the Corporation transfer significant insurance risk and are therefore treated as insurance contracts.

Claims liabilities

Claims liabilities consist of unpaid claims and loss adjustment expenses ("unpaid claims"). Upon receipt of any notice of claim, the net final cost of claims and loss adjustment expenses is first estimated on a case-by-case basis and then reassessed as additional information becomes known. Included in unpaid claims is a provision to account for the future development of these claims, including claims incurred but not reported, as well as a provision for adverse deviations, as required by accepted actuarial practice in Canada. Unpaid claims are discounted to take into account the time value of money using the market rates of the underlying invested assets. An external actuary, appointed by the Board of Directors of the Insurance Fund, evaluates the adequacy of claims liabilities using the appropriate actuarial techniques.

Unearned premiums

Premiums written are deferred as unearned premiums and recognized as revenue on a pro rata basis over the terms of the underlying policies. Unearned premiums are calculated as the unexpired portion of the premiums written on a pro rata basis.

3. Main accounting policies (continued)

Reinsurance

Claims are presented in the statement of income, net of amounts recoverable from reinsurers. Estimated amounts recoverable from reinsurers on unpaid claims and estimated amounts payable for claims are recorded separately.

The amount recoverable from reinsurers is assessed in the same manner as unpaid claims and is recorded taking into account the time value of money.

Cash and cash equivalents

Cash and cash equivalents include cash, Treasury bills and bankers' acceptances that, at purchase, have a maturity of three months or less from the acquisition date. Interest income on cash and cash equivalents is recognized when earned and is included in the statement of income in investment and other income.

Financial instruments

Financial instruments consist of available-for-sale financial assets and loans and receivables.

Available-for-sale financial assets are those financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss. Available-for-sale financial assets are acquired for an indefinite period and may be sold to meet liquidity requirements.

The investments, all classified as available-for-sale ("AFS"), are carried at fair value on the statement of financial position as of the trade date, and changes in fair value are recorded in other comprehensive income until the financial asset is disposed of or has become other-than-temporarily impaired. Transaction costs related to financial instruments are capitalized and amortized over the term of the instrument using the effective interest rate method. As long as an AFS asset is held and not other-than-temporarily impaired, gains and losses are not recognized in income. When the asset is disposed of or other-than-temporarily impaired, gains and losses are recognized in income as investment and other income and, accordingly, the amount is deducted from other comprehensive income. Gains and losses on the sale of AFS assets are calculated using the average cost method.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Cash, Treasury bills, investment income receivable, premiums and other receivables, and deductibles recoverable from policyholders for claims liabilities are classified as loans and receivables.

Financial liabilities at amortized cost

Financial liabilities, which consist of accounts payable and accrued liabilities and the amount due to the OACIQ, are measured at amortized cost.

Fair value of financial instruments

In accordance with *IFRS 7, Financial Instruments – Disclosures* for financial instruments measured at fair value on the statement of financial position, the Insurance Fund categorizes its fair value measurements according to a three-level hierarchy as described below:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3 – Valuation techniques which use inputs that have a significant effect on the recorded fair value and that are not based on observable market data.

Recognition of revenues and expenses related to financial instruments

The effective interest method of amortization is used for all transaction costs added to the acquisition cost of a financial instrument and for the premiums or discounts earned or incurred for AFS financial instruments. Interest income is recognized as it is earned.

3. Main accounting policies (continued)

Determination of the fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in a normal transaction between market participants.

Subsequent to initial recognition, the fair values are determined based on available information. The fair values of financial instruments are determined based on the closing price for bonds and the net asset value for units of mutual funds.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated life of the assets, as follows:

Telephone system	3 years
Leasehold improvements	Lease term
Furniture and equipment	5 years
Computer hardware	3 years

Intangible assets

Intangible assets are recorded at cost, net of accumulated amortization, and consist of application and operating software. Amortization is calculated on a straight line basis over the estimated useful life of the software, which is five years.

Impairment of long-lived assets

Long-lived assets, excluding goodwill, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their recoverable amount. The recoverable amount of an asset or cash-generating unit ("CGU") is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from an asset or CGU. An impairment loss is the amount, if any, by which the carrying amount of an asset or CGU exceeds its recoverable amount and is charged to income. During the current and previous years, no intangible assets or items of property plant and equipment were impaired.

Standards issued but not yet effective

At the approval date of these financial statements, the following interpretations were issued but not yet effective:

A. IFRS 9, "Financial Instruments"

On July 25, 2014, the International Accounting Standards Board (IASB) completed the final elements of its comprehensive response to the financial crisis by issuing further amendments to IFRS 9, "Financial Instruments," in respect of (i) revisions to its classification and measurement model and (ii) a single, forward looking "expected loss" impairment model.

IFRS 9, as amended, introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in the application of a single impairment model to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements.

IFRS 9, as amended, introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. More specifically, the new standard requires entities to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis. For more information, see the section IFRS 4, "Insurance Contracts" below.

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

B. IFRS 4, "Insurance Contracts"

In September 2016, the IASB issued amendments to IFRS 4, "Insurance Contracts," to address concerns of insurers and their representative organizations about the different effective dates of IFRS 9, "Financial Instruments," on January 1, 2018, and of the forthcoming new IFRS on insurance contracts.

The amendments allow, but do not require, an entity that issues insurance contracts to choose between two options. The first option consists in applying a temporary exemption to continue using IAS 39, "Financial Instruments: Recognition and Measurement," rather than IFRS 9, for fiscal years beginning before January 1, 2021 if the entity has not previously applied IFRS 9 and if its predominant activities are insurance related. The second option allows an entity to apply the overlay approach to designated financial assets that are eligible under certain specific criteria by reclassifying, between profit or loss and other comprehensive income, the difference between amounts recognized in profit or loss under IFRS 9 and those that would have been reported in profit or loss if the entity had applied IAS 39 for these assets.

The Corporation has elected to apply the temporary exemption to continue applying IAS 39, deferring the application date of IFRS 9 to January 1, 2021.

C. IFRS 17, "Insurance Contracts"

In May 2017, the IASB issued IFRS 17, "Insurance Contracts," which will replace the current standard, IFRS 4, "Insurance Contracts." IFRS 17 sets out the recognition, measurement, presentation and disclosure requirements applicable to all insurance contracts.

IFRS 17 requires that insurance contract liabilities be measured using a general model based on current value. This general model uses assumptions as at the reporting date to estimate the amount, timing and uncertainty of future cash flows and takes into account market interest rates and the impact of insurance contract holder options and guarantees.

In addition, under IFRS 17, profits on the sale of insurance policies will no longer be recognized upon initial recognition, but will instead be deferred as a separate liability and recognized in profit or loss over the contract term as the services are provided.

The Corporation is currently assessing the impact of adopting IFRS 17, which will be effective for annual periods beginning on or after January 1, 2021.

D. IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which introduces a single, comprehensive accounting model for all contracts with customers, with the exception of those falling within the scope of other standards such as insurance contracts, financial instruments and leases. Most of the Corporation's revenues will therefore not be affected by the adoption of this standard. IFRS 15 supersedes IAS 18, "Revenue," and related interpretations. The basic principle of this standard is that the recognition of a revenue must reflect the transfer of goods or services in an amount that reflects the value of the consideration received or expected to be received in exchange for such goods or services.

In April 2016, the IASB issued amendments to IFRS 15 to further clarify revenue recognition and transition provisions with respect to initial application.

The Corporation will have to adopt IFRS 15 retrospectively as at January 1, 2018. It believes that adoption of IFRS 15 should not lead to any material impacts.

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

E. IFRS 16, *"Leases"*

In January 2016, the IASB issued IFRS 16, "Leases," which will replace the current IAS 17, "Leases." IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single accounting model for a lessee, which requires the recognition of lease assets and liabilities for most leases on the balance sheet, eliminating the distinction between operating and finance leases. For the lessor, the distinction between operating and finance leases remains similar.

The Corporation is currently assessing the impact of the adoption of IFRS 16, which will be effective for annual periods beginning on or after January 1, 2019.

Significant accounting estimates and assumptions

The carrying values of certain assets and liabilities are often determined on the basis of estimates and assumptions of future events. The main estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities during the next annual reporting period are related to measuring claims liabilities.

The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice.

The main assumption underlying these techniques is that an entity's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the development observed in prior years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by industry and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

4. Investments

A financial instrument is regarded as quoted in an active market [Level 1] if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. When a quoted active market exists, the fair values of financial assets are based on closing prices for bonds and on net asset value for units of mutual funds.

4. Investments (continued)

In the absence of an active market, fair values are based on inputs other than quoted prices that are observable for the asset or liability directly or indirectly [Level 2]. Such inputs include prevailing market rates for instruments with similar characteristics and risk profiles, the closing price on the most recent trade date subject to liquidity adjustments, or average brokers' quotes when trades are too sparse to constitute an active market. More specifically, the fair value of bonds is determined by discounting the cash flows generated over the holding period of the bond. The discount rate used reflects the credit risk of instruments with the same risk profile as the bond measured at the date of presentation of the financial information. As for units of mutual funds, fair value is based on their net asset value.

Certain financial instruments whose fair values are not based on observable market inputs must be measured using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data [Level 3]. The Corporation held no Level 3 securities as at December 31, 2017. During the year, there were no transfers of amounts between Level 1 and Level 2.

The distribution of the Corporation's financial instruments between each of the above mentioned levels is presented below.

4. Investments (continued) · Fair value hierarchy

	2017		
	Level 1	Level 2	Total
	$	$	$
Provincial government bonds	-	12,041,182	12,041,182
Municipal government bonds	-	18,441,633	18,441,633
Corporate bonds	-	12,143,957	12,143,957
Investment funds	-	12,689,836	12,689,836
	-	55,316,608	55,316,608

	2016		
	Level 1	Level 2	Total
	$	$	$
Provincial government bonds	-	7,672,960	7,672,960
Municipal government bonds	-	20,430,097	20,430,097
Corporate bonds	-	13,700,319	13,700,319
Investment funds	-	11,749,406	11,749,406
	-	53,552,782	53,552,782

4. Investments (continued) · Investment maturities

2017	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Provincial government bonds	-	5,705,357	6,335,825	-	12,041,182
Municipal government bonds	5,999,889	12,035,257	406,487	-	18,441,633
Corporate bonds	2,895,513	7,161,967	2,086,477	-	12,143,957
Investment funds	-	-	-	12,689,836	12,689,836
	8,895,402	24,902,581	8,828,789	12,689,836	55,316,608

2016	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Provincial government bonds	-	2,108,611	5,564,349	-	7,672,960
Municipal government bonds	4,040,652	15,852,112	537,333	-	20,430,097
Corporate bonds	2,469,946	9,222,830	2,007,543	-	13,700,319
Investment funds	-	-	-	11,749,406	11,749,406
	6,510,598	27,183,553	8,109,225	11,749,406	53,552,782

4. Investments (continued) · Unrealized investment gains (losses)

	2017			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Provincial government bonds	12,118,775	28,075	(105,668)	12,041,182
Municipal government bonds	18,502,627	33,190	(94,184)	18,441,633
Corporate bonds	12,183,746	36,619	(76,408)	12,143,957
Investment funds	10,316,056	2,373,780	-	12,689,836
	53,121,204	2,471,664	(276,260)	55,316,608

	2016			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Provincial government bonds	7,551,152	134,918	(13,110)	7,672,960
Municipal government bonds	20,391,526	95,298	(56,727)	20,430,097
Corporate bonds	13,609,844	115,476	(25,001)	13,700,319
Investment funds	10,804,156	945,250	-	11,749,406
	52,356,678	1,290,942	(94,838)	53,552,782

4. Investments (continued) · Investment and other income

	2017	2016
	$	$
Interest income	1,118,383	1,045,625
Dividend income	362,173	467,120
Amortization of bond premiums and discounts	(199,333)	(205,801)
Gain (loss) on disposal of investments	748,314	(666,065)
Management fees	(195,853)	(179,772)
	1,833,684	461,107

5. Additional information on financial instruments

The Insurance Fund's investments are managed by two external managers, which are required to follow the investment policy set out by the Insurance Fund's Board of Directors. Management ensures compliance with these guidelines. The investment portfolio is entirely invested in well-established, active and liquid markets.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and market price risk. The Corporation's investment policy establishes principles and limits pertaining to these risks. The Investment Committee regularly monitors compliance with this investment policy.

Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. Since all its financial instruments are denominated in Canadian dollars, the Insurance Fund is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that a fluctuation in interest rates will negatively impact the financial position of the Insurance Fund, which occurs when market interest rates rise. This risk is a significant component of market risk and is derived from the Insurance Fund's property and casualty insurance activity and from the investment portfolios it holds. The Corporation has adopted an integrated risk management policy that takes into account interest rate risk.

A change in interest rates will impact the financial statements, such that a 1% change in interest rates would result in a $426,268 decrease (increase) in investment income ($418,034 as at December 31, 2016).

Market price risk

Stock market price risk arises from uncertainty related to the fair value of assets traded on stock markets. The Insurance Fund's investment policy limits market-traded securities to a maximum of 30% of the total portfolio market value in order to improve risk/return, subject to capital requirements. As at December 31, 2017, the Insurance Fund indirectly held, through its fund units, $12,689,836 in securities traded on stock markets. As a result, a 1% change in the fair value of these assets would have an impact of $126,898 on the Insurance Fund's comprehensive income.

Credit risk

Credit risk is the risk that a party to a financial instrument causes a financial loss for the Corporation by failing to discharge an obligation. Credit risk arises primarily from fixed income securities, which comprise the majority of the investment portfolio.

The Insurance Fund's investment policy provides a quality criteria framework for portfolio securities and requires investment managers to produce regular compliance reports. The policy also stipulates that the Insurance Fund may not invest more than 50% of its fixed income security portfolio in corporate bonds. No more than 5% of the fixed income security portfolio may be invested in corporate securities with ratings of BBB or lower. The Insurance Fund may not invest more than 10% of the fixed income security portfolio in the securities of a single corporate issuer.

The Corporation assesses the reinsurer's financial strength before signing any reinsurance treaties and monitors its situation on a regular basis. In addition, the Corporation has minimum rating requirements for its reinsurer. The reinsurer must have a minimum rating of A+. The Insurance Fund uses the AM Best ratings agency.

5. Additional information on financial instruments (continued)

The following tables present the fair value of municipal government and corporate bonds according to the nomenclature of the rating agency:

2017	AAA	AA	A	BBB	Unrated	Fair value
	$	$	$	$	$	$
			(In thousands of dollars)			
Provincial government bonds	-	12,041	-	-	-	12,041
Municipal government bonds	100	-	-	-	18,342	18,442
Corporate bonds	-	2,362	8,042	1,740	-	12,144

2016	AAA	AA	A	BBB	Unrated	Fair value
	$	$	$	$	$	$
			(In thousands of dollars)			
Provincial government bonds	-	7,673	-	-	-	7,673
Municipal government bonds	100	-	-	-	20,330	20,430
Corporate bonds	-	4,890	7,299	1,511	-	13,700

5. Additional information on financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

	2017	2016
	$	$
Cash	543,805	839,901
Treasury bills and banker's acceptance	324,501	499,400
Canadian, provincial and municipal government bonds	30,482,815	28,103,057
Corporate bonds	12,143,957	13,700,319
Investment income receivable	234,821	227,805
Premiums and other receivables	156,292	74,875
Amount recoverable from reinsurers for claims liabilities	1,098,000	1,471,000
Deductibles recoverable from policyholders for claims liabilities	683,665	693,424
	45,667,856	45,609,781

5. Additional information on financial instruments (continued)

Credit risk concentration

Concentration of credit risk exists where a number of borrowers or counterparties engaged in similar activities are located in the same geographic area or have comparable economic characteristics, such that their ability to meet contractual obligations could be similarly affected by changes in economic, political or other conditions. The Insurance Fund's invested assets could be sensitive to changes affecting a particular type of industry. All of the securities held are issued in Canada.

Liquidity risk

Liquidity risk is the risk that an entity will have difficulty meeting obligations associated with financial instruments that are settled in cash. To manage its cash flow requirements, the Insurance Fund maintains a portion of its invested assets in liquid securities. On December 31, 2017 and 2016, the financial liabilities were all due in the following year.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument fluctuate in amount. The Insurance Fund mitigates this risk by matching, as much as possible, cash inflows from investments with cash outflows for paid claims.

Fair value

The fair values of cash, treasury bills, investment income receivable, premiums and other receivables, deductibles recoverable from policyholders for claims liabilities, and accounts payable and accrued liabilities approximate their carrying values due to their short term maturities.

6. Insurance risk

Insurance risk and management

The Insurance Fund underwrites professional liability insurance contracts for Quebec agencies, real estate brokers and mortgage brokers. Insurance contract risk mostly comprises the risks associated with:

- Underwriting and pricing;
- Fluctuations in the timing, frequency and severity of claims relative to projections;
- Inadequate reinsurance protection.

A. **Underwriting**

Policies generally cover a twelve month period with a renewal date of May 1 each year. The insurance business is cyclical in nature: the industry generally reduces insurance rates following periods of increased profitability, while it generally increases rates following periods of sustained loss. The Corporation's profitability tends to follow this cyclical market pattern. In addition, the Insurance Fund is at risk from changes in professional liability insurance legislation and the economic environment.

In order to properly monitor the Insurance Fund's risk appetite, annual premium pricing is established using an internal return on equity model and a risk based capital model as published by the Autorité des marchés financiers ("AMF"). The annual premium was established at $345 in 2016 and maintained at $345 in 2017 for real estate brokers and agencies, and at $245 in 2016 and 2017 for mortgage brokers. In addition, the limit of coverage provided to policyholders remained the same (see Note 10).

The Investment Committee monitors the Insurance Fund's overall risk profile, aiming for a balance between risk, return and capital, and determines policies concerning the Insurance Fund's risk management framework. The Committee's mandate is to identify, measure and monitor risks and avoid exposures that are outside of the Insurance Fund's risk tolerance level.

6. Insurance risk (continued)

B. **Claims management and reinsurance**

One objective of the Insurance Fund is to ensure that sufficient claims liabilities are established to cover future claim payments. The Insurance Fund's success depends upon its ability to adequately assess the risk associated with the insurance contracts underwritten by the Corporation. The Insurance Fund establishes claims liabilities to cover the estimated liability for the payment of all losses and loss adjustment expenses incurred with respect to insurance contracts underwritten by the Corporation. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Insurance Fund's estimates of its expected ultimate cost of benefit payments and loss adjustment expenses. Expected inflation is taken into account when estimating claims liabilities, thereby mitigating inflation risk.

Under the aegis of the Claims Committee, strict claim review policies are used to assess all new and ongoing claims. In addition, regular detailed reviews of claims handling procedures reduce the Corporation's risk exposure. Furthermore, the Insurance Fund enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business. The Insurance Fund has established a Claims Committee responsible for analyzing claims and contentious matters in order to ensure that sufficient claims liabilities are established.

C. **Sensitivity to insurance risk**

The principal assumption underlying the claims liability estimates is that future claims development will follow a pattern that is similar to past claims experience.

Estimates of claims liabilities are also based on various quantitative and qualitative factors, including:

- Average claim costs including claim handling costs;
- Average claims by accident year;
- Trends in claim severity and frequency.

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these factors and unforeseen factors could negatively impact the Insurance Fund's ability to accurately assess the risk of the insurance contracts underwritten by the Insurance Fund. In addition, there may be delays, sometimes amounting to several years, between the occurrence of an insured event and the time it is reported to the Insurance Fund as well as additional delays between the reporting and the final settlement of claims.

The Insurance Fund refines its estimates of claims liabilities on a regular basis as claims are reported and settled. Establishing an appropriate level of claims liabilities is an inherently uncertain process, and the surrounding policies are overseen by the Claims Committee.

7. Property, plant and equipment

			2017	2016
	Cost	Accumulated amortization	Net amount	Net amount
	$	$	$	$
Telephone system	22,927	(22,927)	-	-
Leasehold improvements	55,343	(55,343)	-	-
Furniture and equipment	88,090	(85,317)	2,773	3,980
Computer hardware	44,953	(41,916)	3,037	-
	211,313	(205,503)	5,810	3,980

			2017	2016
	Additions (disposals)	Amortization	Total	Total
	$	$	$	$
Reconciliation of changes				
Leasehold improvements	-	-	-	(247)
Furniture and equipment	-	(1,207)	(1,207)	(1,918)
Computer hardware	3,848	(811)	3,037	(640)
	3,848	(2,018)	1,830	(2,805)

8. Intangible assets

			2017	2016
	Cost	Accumulated amortization	Net amount	Net amount
	$	$	$	$
Software	217,567	(217,567)	-	27,374

			2017	2016
	Additions (disposals)	Amortization	Total	Total
	$	$	$	$
Reconciliation of changes				
Software	-	(27,374)	(27,374)	(40,420)

General and administrative expenses include part of the amortization for the year in an amount of $13,687 ($20,210 in 2016), and another part in an amount of $13,687 ($20,210 in 2016) is included in claims and loss adjustment expenses.

9. Claims liabilities

Actuarial liabilities are determined to reflect the estimate of the full amount of all liabilities associated with the insurance policies as at the date of the statement of financial position, including claims incurred but not reported ("IBNR"). The ultimate amount of the settlement of these liabilities will vary from the best estimate for a variety of reasons, including additional information obtained on the facts and circumstances concerning the claims incurred.

Unpaid claims and amounts recoverable from reinsurers

The provision for unpaid claims and the amount recoverable from reinsurers for unpaid claims are determined using standard actuarial techniques which require the use of assumptions such as loss development and claim settlement patterns, future rates of claim frequency and severity, inflation and other factors.

Unpaid claims were reduced in a net amount of $432,860 as at December 31, 2017 ($345,768 as at December 31, 2016) to reflect the time value of money, using an average discount rate of 2.08% (1.81% in 2016) on the underlying claim settlement statistics. The provision for adverse deviations increased unpaid claims in a net amount of $1,232,837 as at December 31, 2017 ($1,071,503 as at December 31, 2016).

Unearned premiums

Unearned premiums are calculated on a pro rata basis from the unexpired portion of premiums written and must be sufficient to cover all future costs related to the unexpired portion of in force policies as at December 31. The future risks to be provisioned consist of claims and loss adjustment expenses, policy maintenance expenses, and the cost of reinsurance pertaining to these policies. In the event that unearned premiums are inadequate to cover these costs, the Insurance Fund will be required to recognize a corresponding liability to cover the deficiency.

Interest rate sensitivity

Since the time value of money is considered in determining the unpaid claims estimate, an increase or decrease in the discount rate would result in a decrease or increase, respectively, in the expense for unpaid claims. Accordingly, a 1% increase in the discount rate would have a $222,687 negative impact on the value of unpaid claims as at the date of the statement of financial position ($202,939 as at December 31, 2016), while a 1% decrease in the discount rate would have a $231,876 positive impact on the value of unpaid claims as at the date of the statement of financial position ($210,587 as at December 31, 2016).

Prior-year claims development

The following table shows estimates of incurred claims, including IBNR claims, for the eight most recent accident years, with subsequent developments during the periods as well as cumulative payments to date. The evaluation is based on actual payments in full or partial settlement of claims as well as current estimates of claims liabilities for claims still open or claims still unreported.

9. Claims liabilities (continued) · Ultimate incurred claims estimate

	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	$	$	$	$	$	$	$	$	$	$
As at end of underwriting year	6,562,559	6,673,910	6,073,405	5,608,678	5,283,626	4,749,235	5,407,964	4,615,194	4,948,557	
One year later	6,424,801	6,033,124	4,671,308	4,468,644	4,069,840	4,607,025	5,439,827	4,137,714		
Two years later	4,772,070	4,790,220	4,077,761	4,144,194	3,301,052	4,552,032	5,138,710			
Three years later	3,220,954	4,076,860	3,245,717	3,543,060	3,288,660	4,561,616				
Four years later	2,761,601	3,660,691	3,125,725	3,551,053	3,347,492					
Five years later	2,428,397	3,509,608	3,247,652	3,343,806						
Six years later	2,578,027	3,278,447	3,241,606							
Seven years later	2,404,905	3,201,439								
Eight years later	2,406,876									
Ultimate incurred claims estimate	2,406,876	3,201,439	3,241,606	3,343,806	,3,347,492	4,561,616	5,138,710	4,137,714	4,948,557	34,357,816
Paid claims	2,398,638	3,201,439	3,085,600	3,185,406	2,630,898	3,610,575	3,271,522	1,523,449	316,502	23,224,029
Unpaid claims	8,238	-	156,006	158,400	716,594	951,041	,1,867,188	2,614,265	4,632,055	11,103,787
Prior years										
Effect of discounting and margins										968,304
Other										1,387,919
FINAL UNPAID CLAIMS										13,460,010

Note: The amounts in this table are net of $683,665 in deductibles recoverable from policyholders for claims liabilities.

9. Claims liabilities (continued) • Developments in net claims liabilities

	2017			2016		
	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities
	$	$	$	$	$	$
			(In,thousands,of,dollars)			
Balance – Beginning of year	14,420	1,471	12,949	14,944	1,617	13,327
Changes in estimated losses and expenses for claims incurred in prior years	(2,115)	(373)	(1,742)	(1,740)	(146)	(1,594)
Losses and expenses on claims incurred in the current year	6,388	-	6,388	5,894	-	5,894
Less recoveries received (amounts paid) in respect of incurred claims						
during the current year	(695)	-	(695)	(896)	-	(896)
during prior years	(4,538)	-	(4,538)	(3,782)	-	(3,782)
BALANCE – END OF YEAR	13,460	1,098	12,362	14,420	1,471	12,949

Note: The amounts in this table are net of $683,665 in deductibles recoverable from policyholders for claims liabilities ($693,424 in 2016).

10. Reinsurance

The limit of coverage provided by the Insurance Fund is $1,000,000 per claim, per policyholder, subject to an annual limit of $2,000,000.

In the normal course of business, the Insurance Fund reinsures a portion of the risks it assumes in order to limit its losses in the event of major claims or a very high claim frequency.

The terms of the agreement may vary from year to year.

The reinsurance offered $11,000,000 in overall annual coverage in excess of the Insurance Fund retention of $6,000,000 from January 1, 2016 to January 1, 2017.

11. Net earned premiums

	2017	2016
	$	$
Gross premiums written	5,579,547	5,646,800
Reinsurance premiums ceded	(407,700)	(414,700)
Net premiums written	5,171,847	5,232,100
Change in unearned premiums	41,708	4,199
Net earned premiums	5,213,555	5,236,299

No allowance for doubtful accounts was deducted from net earned premiums in 2017 and 2016, determined on the basis of an overall analysis of premiums receivable at year end to identify those that, in all probability, will not be recovered. Given that the insurance premium is billed together with **OACIQ** annual membership dues, the policyholder is not actually covered until the **OACIQ** receives the premium, and therefore no allowance for doubtful accounts is required.

12. Capital required

Capital required is governed by the AMF. Accordingly, the risk based capital adequacy framework is based on an assessment of the riskiness of assets, policy liabilities and structured settlements, letters of credit, derivatives and other exposures, by applying varying risk-weighting and margin factors. The Insurance Fund is required to meet a capital-available-to-capital-required test, called the minimum capital test ("MCT").

The AMF requires each property and casualty insurer to establish its own internal target capital level that reflects its risk profile, and to justify to the AMF the target level it has adopted with an explanation backed by supporting data. This internal target level must be higher than the 100% minimum capital threshold imposed by the AMF and the 150% supervisory target level.

In January 2015, the AMF modified the guideline on capital adequacy requirements that describes how to calculate the MCT ratio. The difference resulting from the new calculation method is amortized over twelve consecutive quarters to December 2017 and is presented in reduction of the capital available.

In 2016, the Insurance Fund established a 375% internal target for capital required, given the need to build adequate capital to meet future obligations with regard to protection of the public. The Insurance Fund has exceeded both the imposed minimum threshold and its own internal target for capital required.

The Insurance Fund's capital available and capital required are detailed as follows:

	2017	2016
	$	$
Capital available	**42,091**	40,154
Capital required	**5,361**	5,475
Excess of capital available over capital required	**36,730**	34,679
MCT (as a %)	**785.13%**	733.41%

13. Transactions with the OACIQ

By various agreements with the OACIQ, the Insurance Fund received certain management services and provided sponsorships, totaling $73,409 ($143,287 in 2016), in addition to rent expenses of $110,323 ($104,117 in 2016). To these amounts are added other paid expenses totaling $148,416 ($239,745 in 2016). These transactions were concluded in the normal course of business and measured at the value agreed between the parties. As at December 31, 2017, an amount of $13,803 was payable ($3,838 in 2016) in connection with these transactions. Premiums and other receivables include an amount of $8,153 ($9,715 in 2016) for premiums collected by the OACIQ on behalf of the Insurance Fund.

14. Premiums and other receivables

	2017	2016
	$	$
Deductibles receivable	78,616	64,826
Premiums receivable	8,153	9,715
Other amounts receivable	69,523	334
	156,292	74,875

15. Compensation of key executive officers

Key executive officers consist of all members of the Board of Directors and the executive officers of the Corporation. Their total compensation for 2017 amounted to $304,494 ($290,263 for 2016).

16. Commitments

The Insurance Fund is committed under a subletting arrangement with the OACIQ to make payments in accordance with a sub-lease expiring in July 2020. Future minimum payments under the contract totalling $157,912 are as follows:

	$
2018	61,127
2019	61,127
2020	35,658


Assessing

EXPRESSION OF OPINION

I have valued the policy liabilities and reinsurance recoverable of Fonds d'assurance responsabilité du Courtage Immobilier du Québec for its statement of financial position at December 31, 2017 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the insurer's financial records.

The results of my valuation together with amounts carried in the annual return are the following:

Eckler

Claim Liabilities	Carried in Annual Return (000 $)	Actuary's estimate (000 $)
(1) Direct unpaid claims and adjustment expenses	13,460	13,460
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	13,460	13,460
(4) Gross unpaid claims and adjustment expenses	1,098	1,098
(5) Autres sommes à recouvrer liées aux sinistres non payés	684	684
(6) Other recoverables on unpaid claims	684	684
Other recoverables on unpaid claims (3) – (4) – (5) + (6)	12,362	12,362

Premium liabilities	Carried in Annual Return (col. 1) (000 $)	Actuary's estimate (col. 2) (000 $)
(1) Gross unearned premium liabilities		1,830
(2) Net unearned premium liabilities		1,941
(3) Gross unearned premiums	1,885	
(4) Net unearned premiums	1,885	
(5) Premium deficiency	56	56
(6) Other liabilities	0	0
(7) Deferred policy acquisition expenses	0	
(8) Maximum policy acquisition expenses deferrable (4) + (5) + (9) col. 1 – (2) col. 2		0
(9) Unearned commissions + Ceded deferred premium taxes + Ceded deferred insurance operations expenses	0	

In my opinion, the amount of policy liabilities net of reinsurance recoverable makes appropriate provision for all policy obligations and the financial statement fairly presents the result of the valuation.

Xavier Bénarosch, FCAS, FICA

February 13, 2018
Date opinion was rendered

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